

***United States Court of Appeals  
for the Second Circuit***



**EXHIBITS**





UNITED STATES COURT OF APPEALS  
FOR THE SECOND CIRCUIT

**74-2367**

ITT WORLD DIRECTORIES INC.,

Plaintiff-Appellant,

-against-

CIA EDITORIAL de LISTAS, S.A.  
and EDITORIAL de GUIAS LTB.,  
S.A.,

Defendants-Appellees.

EXHIBITS

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PLAINTIFF'S TRIAL EXHIBIT 1 - STIPULATION OF FACTS

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

-----X  
ITT WORLD DIRECTORIES, INC.,

Plaintiff,

:  
:  
:  
: 71 Civ. 5496

-against-

CIA. EDITORIAL de LISTAS, S.A. and  
EDITORIAL de GUIAS LTD., S.A.,

: STIPULATION  
: OF FACTS

Defendants. :  
-----X

IT IS HEREBY STIPULATED AND AGREED by and between the undersigned that the following facts are not in dispute and that these facts shall be deemed established for purposes of the trial of this action:

1. On July 9, 1969, ITT World Directories ("ITTWD"), CIA Editorial de Listas, S.A. ("CELSA"), and Tasec-Technical Advertising and Sales Engineering Corporation Ltd. ("TASEC") entered into an agreement (hereinafter "acquisition agreement") whereby ITTWD agreed to purchase and CELSA agreed to sell CELSA's wholly owned subsidiary, P.L.T. - Publicacoes de Listas Telefonicas, S.A.R.L. ("PLT"), and CELSA's 92.1% interest in Bertrand (Iramos) Lta. ("Bertrand").

2. The obligations of CELSA pursuant to the acquisition agreement were guaranteed by defendant LISTAS.

3. ITTWD, a subsidiary of International Telephone and Telegraph Corporation, is a corporation organized under the laws of Delaware and is engaged in the business of owning and/or operating telephone directory companies throughout the world.

4. Defendant CELSA is a corporation organized under the laws of Panama. Prior to July 9, 1969 CELSA

PLAINTIFF'S TRIAL EXHIBIT 1 - STIPULATION OF FACTS

owned all of the issued and outstanding capital stock of PLT, a corporation organized under the laws of Portugal. CELSA was engaged in the publication of telephone directories in Portugal primarily through its subsidiary PLT.

5. Bertrand, a printing company, was organized under the laws of Portugal as a "quota company". 92.1% of its outstanding quotas were owned by defendant CELSA at the time of the acquisition agreement.

6. TASEC is a corporation organized under the laws of the Bahamas. At the time of the acquisition agreement it had management contracts both with CELSA and PLT.

7. On May 23, 1969, ITTWD requested Arthur Andersen & Co. in Madrid to perform an audit of the balance sheet of Bertrand as of December 31, 1968, and the statement of income for Bertrand for the year 1968. ITTWD further requested a "separate statement of the net worth" of Bertrand as of December 31, 1968, and as of the closing date, determined in accordance with a definition set out in the letter of May 23, 1969 (Defendants' Deposition Exhibit C).

8. On May 28, 1969, Arthur Andersen & Co. acknowledged receipt of ITTWD's letter of May 23rd and agreed to perform the audits requested (Defendants' Deposition Exhibit D).

9. On June 5, 1969, ITTWD instructed Arthur Andersen to perform the audits as of the "latest closing date possible" instead of as of December 31, 1968 (Defendants' Deposition Exhibit E).

10. On July 3, 1969, the Chairman of the Board of ITTWD, Ted B. Westfall, wrote a memorandum to Mr. Harold Geneen, Chairman of the Board of ITT, recommending that ITTWD acquire 100% of PLT and 92.1% of Bertrand pursuant to the terms set forth in his memorandum (Defendants' Deposition Exhibit M).



PLAINTIFF'S TRIAL EXHIBIT 1 - STIPULATION OF FACTS

11. On July 9, 1969, ITTWD, CELSA and TASEC entered into the acquisition agreement (Plaintiff's Deposition Exhibit 1). That agreement provided in relevant part as follows:

(a) ITTWD agreed to purchase from CELSA all of the issued and outstanding shares of capital stock of PLT for the sum of \$5,650,000 (\$3.1).

(b) TASEC agreed to cancel its management contracts with CELSA and PLT and as consideration therefor, ITTWD agreed to pay TASEC \$1,850,000 (\$3.2).

(c) CELSA agreed to sell to ITTWD, and ITTWD agreed to purchase from CELSA, CELSA's 92.1% interest in Bertrand (\$3.3).

(d) ITTWD agreed to cause Arthur Andersen & Co. (or its affiliate) to audit the accounts of PLT and Bertrand as of May 31, 1969, and as soon as practicable after the closing of the contract to deliver to ITTWD and CELSA:

(i) "certified balance sheets of said companies as of May 31, 1969," and

(ii) "a certificate setting forth the tangible net worth of said companies as of May 31, 1969," computed in accordance with a formula set out therein (\$3.6).

(e) It was further agreed that as soon as practicable after receipt by ITTWD of "said certificate setting forth the tangible net worth" of PLT and Bertrand as of May 31, 1969, the following payments would be made:

(1) If at May 31, 1969 the tangible net worth of PLT "as set forth in said certificate" was

PLAINTIFF'S TRIAL EXHIBIT 1 - STIPULATION OF FACTS

positive, ITTWD would pay to CELSA an amount equal to such tangible net worth. If said net worth reflected a deficit, CELSA would repay to ITTWD an amount equal to said deficit.

(ii) If at May 31, 1969 the tangible net worth of Bertrand "as set forth in said certificate" was positive, ITTWD would pay CELSA an amount equal to 92.1% of such tangible net worth. If said net worth reflected a deficit, CELSA would repay to ITTWD an amount equal to 92.1% of such deficit.

(iii) In addition, ITTWD would pay CELSA 92.1% of the amount by which the \$600,000 appraised value of Bertrand's plant at Dafundo, Portugal (less applicable taxes) exceeded the book value thereof as of May 31, 1969.

(f) Section 3.6 of the acquisition agreement further provided that the determination by Arthur Andersen & Co. of the tangible net worth of PLT and Bertrand "as set forth in the aforesaid certificate" would be final and conclusive unless within 20 days after receipt by CELSA of said certificate, CELSA delivered to ITTWD an objection in writing stating the amount by which CELSA believed the tangible net worth of these companies exceeded the "amount set forth in said certificate". If the matter in dispute was not resolved by negotiation within 20 days after receipt by ITTWD of said objection, the matter would be submitted for arbitration to a second firm of auditors selected jointly by ITTWD and CELSA.

(g) It was further agreed that \$4,750,000 of the purchase price would be deposited by ITTWD with Morgan Guaranty Trust Company of New York as escrow agent (Morgan) in accordance with an escrow agreement attached as Exhibit 2



PLAINTIFF'S TRIAL EXHIBIT 1 - STIPULATION OF FACTS

to the acquisition agreement (§3.1). Said escrow agreement (Defendants' Deposition Exhibit P) provided that said \$4,750,000 would be released by Morgan to CELSA upon:

(1) Receipt by Morgan of a certificate signed by Arthur Andersen & Co. stating that the combined net worth of PLT and Bertrand as of May 31, 1969 was not negative, or

(11) Receipt by Morgan of a written direction signed by ITTWD to make such payment, or

(111) The expiration of 40 days from July 9, 1969, unless Morgan shall have received a certificate signed by Arthur Andersen & Co. stating that the combined net worth of PLT and Bertrand was negative and setting forth the amount of such negative net worth. In the event Morgan did receive such a certificate of negative net worth, Morgan was to pay to CELSA only the amount of the escrow fund in excess of said negative net worth (Defendants' Deposition Exhibit P, ¶5).

(h) It was further agreed that CELSA would deposit \$900,000 of the purchase price with Morgan to be held in escrow pursuant to Section 6.2 of the acquisition agreement (§3.1). Section 6.2 provided that \$450,000 of the \$900,000 escrow fund would be released to CELSA upon the expiration of 12 months from the closing, and the balance would be released upon expiration of 24 months from the closing, unless ITTWD made a claim against the escrow fund in accordance with the terms of the escrow agreement, in which event the escrow fund would be held by Morgan pending a determination of the claim in accordance with the terms of the escrow agreement.



PLAINTIFF'S TRIAL EXHIBIT 1 - STIPULATION OF FACTS

12. A closing pursuant to the acquisition agreement was held on July 9, 1969.

13. On July 9, 1969 payments were made to the escrow funds as provided in the acquisition agreement and in the escrow agreements.

14. On August 18, 1969, Arthur Andersen & Co. sent a letter to the Board of Directors of ITTWD stating that it had examined the combined balance sheet of PLT and Bertrand as of May 31, 1969, and that its examination was made to enable it to express the opinion required by Paragraph 3.6 of the acquisition agreement and Paragraph C of the escrow agreement (Defendants' Deposition Exhibit P). Arthur Andersen & Co. stated that in its opinion the combined tangible net worth, as defined, of PLT and Bertrand was a deficit of approximately \$125,000.

15. On August 18, 1969, Pope sent to Victor M. Berger, Secretary of ITTWD, a memorandum which stated that it enclosed

The original copy of the Arthur Andersen & Co. certificate applicable to the combined tangible net worth of PLT and Bertrand as of May 31, 1969 in accordance with Paragraph 3.6 of the agreement between ITT World Directories and the Portuguese companies.

16. On September 12, 1969, Berger received a telex from ITT in Lisbon stating that a draft of the Arthur Andersen report had been "sent to New York September 1 to be discussed with ITTWD in New York." The telex further stated that the report showed a combined net worth of

PLAINTIFF'S TRIAL EXHIBIT 1 - STIPULATION OF FACTS

14,000,000 escudos and that there was "to be considered" an additional depreciation of 5,000,000 escudos and Bertrand pensions of 6,000,000 escudos making a "net net worth" of approximately three million escudos (Defendants' Deposition Exhibit AA).

17. Subsequent to September 1, 1969, Arthur Andersen & Co. issued its final Audit Report on the combined balance sheet of PLT and Bertrand as of May 31, 1969 (Defendants' Deposition Exhibit DD): The report was dated August 12, 1969.

(a) The combined balance sheet indicated a combined "stockholders investment" (or net worth) of 14,062,780 escudos.

(b) In the report, Arthur Andersen & Co. stated that Bertrand had not followed a consistent policy with respect to depreciation of machinery and equipment. and that, as a result, the company's accumulated depreciation was estimated to be understated by approximately 5,000,000 escudos as of May 31, 1969.

(c) Arthur Andersen & Co. further stated, in its report and in Note 10 to the combined balance sheet, in substance, that it was estimated that the present capital value of the company's alleged future obligation to make certain payments to Bertrand family quota holders was 6,000,000 escudos and that no accrual had been made in the combined balance sheet for that amount.

(d) Arthur Andersen's report on the combined balance sheet took exception for the effect of the matters referred to in Paragraphs (b) and (c) supra.

18. On September 16, 1969, Berger sent a telex



PLAINTIFF'S TRIAL EXHIBIT 1 - STIPULATION OF FACTS

to ITTWD's counsel in Lisbon stating among other things

"My understanding that payments to Bertrand minority shareholders against future profits provided for under Articles of Association may legally be stopped by us at present time. Please confirm this."  
(Defendants' Deposition Exhibit BB)

19. On September 17, 1969, ITTWD's counsel in Lisbon sent a telex to Berger stating that

"Problem of Bertrand is very involved and it is not clear whether so called 'payments against future profits' can or not [sic] be legally stopped. As you know, we suggested negotiating rather than entering into legal action."  
(Defendants' Deposition Exhibit CC)

20. On September 17, 1969, Westfall met with Robert A. Arthur, a vice president of CELSA and TASEC, at Westfall's office in New York.

21. On October 23, 1969, John Morrison, manager of accounting for ITTWD, prepared a memorandum for Mr. Berger setting forth calculations which were made to determine the combined net worth of PLT and Bertrand and the amount due for the Dafundo plant "as per purchase agreement." Morrison's memorandum stated that the "Net Worth Per A.A. report was 14,062,780 escudos": or \$492,221. The memorandum computed the total amount that ITTWD was obligated to pay CELSA as \$803,239 (Defendants' Deposition Exhibit EE).

22. On October 28, 1969, Morrison advised Mr. Duma in the Treasurer's Department of ITT that "In accordance with ITTWD's agreement to purchase Bertrand and PLT, ITTWD is obligated to pay CELSA \$803,239 for the net worth and Dafundo plant." He requested a check to be made out in that amount to Morgan (Defendants' Deposition Exhibit FF).

23. On October 31, 1969, ITTWD delivered to

PLAINTIFF'S TRIAL EXHIBIT 1 - STIPULATION OF FACTS

CELSA's attorney a check for \$303,239. CELSA's attorney stated in a letter to ITTWD acknowledging receipt of that check that this was a "partial payment" to CELSA under Section 3.6 of the acquisition agreement and that he understood that "an additional payment should be forthcoming after a final determination of the salvage value of the Bertrand machinery." (Defendants' Deposition Exhibit HH).

24. On or about February 10, 1970, ITTWD prepared and forwarded to CELSA's attorneys a re-calculation of the purchase price paid for PLT and Bertrand. This re-calculation indicated an overpayment of \$24,569 which represented 7.9% of the amount by which the appraised value of the Dafundo plant exceeded book value (Plaintiff Deposition Exhibit 6). [Said overpayment was originally the subject of plaintiff's Fourth Cause of Action. That claim, together with defendants' Seventh Defense and Setoff, were settled by stipulation between the parties "so ordered" by this Court on January 18, 1973.]

25. At the same time, Berger sent a note to CELSA's attorney stating that

"When salvage value is fixed we can work it out."

26. On July 9, 1970, ITTWD authorized the release by Morgan to CELSA of \$450,000 from the \$900,000 escrow fund. No claim was asserted at that time against the escrow fund with respect to any alleged overpayment.

Dated: New York, N.Y. COWAN, LIEBOWITZ & LATMAN, P.C.  
October , 1973

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SO ORDERED:

JOHN M. CANELLO  
U.S.D.J.

11/5/73



PLAINTIFF'S TRIAL EXHIBIT 2 -  
AGREEMENT DATED JULY 9, 1969

REPRODUCED HEREIN AT PAGES

E-11 TO E-20

AGREEMENT dated as of July 9, 1969, between ITT World Directories Inc., a corporation organized under the laws of Delaware ("ITTWD"), party of the first part, and Tasec-Technical Advertising & Sales Engineering Corporation Limited, a corporation organized under the laws of the Bahamas ("TASEC"), and Cia. Editorial de Listas, S.A., a corporation organized under the laws of Panama ("CELSA"), parties of the second part.

WITNESSETH

WHEREAS, CELSA is engaged in the publication of telephone directories in Portugal through its Portuguese Branch and through its wholly-owned subsidiary, P. L. T.—Publicacoes de Listas Telefonicas, S. A. R. L., a corporation organized under the laws of Portugal ("PLT");

WHEREAS, TASEC is a party to management contracts with PLT and CELSA pursuant to which it is entitled to receive a share of the revenues from their Portuguese telephone directory operations;

WHEREAS, CELSA has a 92.1% interest (Esc. 23,025,000 quotas out of Esc. 25,000,000 quotas subscribed) in Bertrand (Irmaos) Lda., a Portuguese quota company ("BERTRAND"), which is engaged in the printing business;

WHEREAS, ITTWD wishes to acquire from CELSA its telephone directory and printing operations in Portugal on the terms and conditions hereinafter set forth;

NOW, THEREFORE, in consideration of the premises and the mutual agreements hereinafter set forth, the parties hereto agree as follows:

SECTION 1. *Representations and Warranties of CELSA and TASEC.* (a) CELSA represents and warrants to ITTWD as follows:

1.1. CELSA is a corporation duly organized, validly existing and in good standing under the laws of Panama; all necessary corporate action has been taken to authorize the execution and delivery of this Agreement by CELSA and the performance by it of its obligations hereunder; CELSA owns the shares of capital stock of PLT and the interest in BERTRAND to be transferred by it to ITTWD pursuant to this Agreement; upon delivery of said shares of capital stock of PLT and the transfer of said interest in BERTRAND to ITTWD pursuant to this Agreement, against payment of the consideration therefor specified herein, ITTWD will receive good and marketable title to said shares and interest, free and clear of any lien, pledge, claim, option, charge or encumbrance; and the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby will not violate the charter documents or by-laws of CELSA, PLT or BERTRAND or violate, or result in the acceleration of any obligation under, any mortgage, indenture, contract, agreement, order, judgment, decree, statute, ordinance or regulation by which any of said companies is bound, or require the consent of any other party thereto other than that of the owners of the minority interest in BERTRAND, which consent has been obtained, and does not require the approval of or filing with any governmental authorities having jurisdiction over any of said companies, except the filing of deeds evidencing the transfers contemplated by this Agreement, or, except as provided herein, require any action by PLT or BERTRAND.

1.2. PLT is a corporation duly organized, validly existing and in good standing under the laws of Portugal, with corporate power to own all its properties and assets and conduct its business as now being conducted; PLT does not own or lease any property or conduct any operations in any jurisdiction other than the jurisdiction of its incorporation; PLT does not have any subsidiaries; the authorized capital of PLT is Esc. 6,000,000 divided into 10,000 shares of Esc. 600 each, of which 1,000 are preferred and 9,000 are common; all of the authorized shares of PLT have been duly authorized, validly issued and are fully paid and not subject to further calls or assessments; and there are no outstanding options, claims, liens or rights of any kind to acquire, or any securities or other instruments convertible into, shares of capital stock of any class of PLT.



1.3. BERTRAND is a quota company (sociedade por quotas) duly organized, validly existing and in good standing under the laws of Portugal (registration provisional as to certain alterations of capital), with power to own all its properties and assets and conduct its business as now being conducted; BERTRAND does not own or lease any property or conduct operations in any jurisdiction other than the jurisdiction of its organization; BERTRAND does not have any subsidiaries; the capital of BERTRAND is Esc. 25,000,000, of which Esc. 19,463,000 has been paid and Esc. 5,537,000 is payable by CELSA; and interests (quotas) in BERTRAND are represented by the terms of its contract of association.

1.4. The certified copies of the charter of PLT and the contract of association of BERTRAND, which have been delivered to ITTWD, are complete and correct and no amendments thereto have been made since the dates of certification of such documents.

1.5. The combined balance sheet of PLT and the Portuguese Branch of CELSA and the balance sheet of BERTRAND, each as of May 31, 1969, and the related statements of income for the five months then ended, certified by the principal accounting officer of CELSA, copies of which have been delivered to ITTWD, have been prepared in accordance with generally accepted accounting principles applied on a basis consistent with those used in the prior fiscal year and fairly present the respective financial positions and results of operations of PLT and the Portuguese Branch of CELSA on a combined basis and of BERTRAND as of May 31, 1969 and for the five months then ended. The pro forma combined balance sheet giving effect to the transfer to and assumption by PLT as of May 31, 1969 of the assets and liabilities of the Portuguese Branch of CELSA to be transferred to and assumed by PLT pursuant to Section 3.1 of this Agreement, a copy of which has been delivered to ITTWD, fairly presents the information it purports to show.

1.6. PLT, CELSA as to the assets of its Portuguese Branch to be transferred to PLT, and BERTRAND have good and marketable title to their assets and properties, including those reflected in the balance sheets as of May 31, 1969 referred to in Section 1.5 or acquired subsequent to May 31, 1969 (except such property or assets disposed of subsequent to said date in the ordinary course of business or with the consent of ITTWD, it being understood that a disposition of any asset with a book value of more than \$1,000 is not deemed to be a disposition in the ordinary course of business), free and clear of any mortgage, lien, pledge, charge, claim or encumbrance, other than (i) as shown on said balance sheets as of May 31, 1969 or in any Schedule to this Agreement, (ii) the lien of taxes not yet due or payable or being contested in good faith by appropriate proceedings, and (iii) such imperfections of title and encumbrances, if any, as do not materially detract from the value, or interfere with the present or continued use, of the assets and properties of said companies subject thereto or affected thereby, or otherwise materially impair their business operations; all machinery and equipment in regular use included in the properties and assets aforementioned have been well maintained and are in good and serviceable condition, normal wear and tear excepted; and all inventories of finished products and all goods and supplies reflected in such balance sheets represent items disposable at substantially current market prices for similar items.

1.7. Except to the extent fully disclosed or reserved for in the balance sheets as of May 31, 1969 referred to in Section 1.5 or in a Schedule to this Agreement, PLT, CELSA as to the liabilities of its Portuguese Branch to be assumed by PLT, or BERTRAND did not have, as of May 31, 1969, any material liability, absolute or contingent, required to be disclosed or reserved for in its balance sheet by generally accepted accounting principles, including without limitation, liabilities for franchise, property, sales, employment or other taxes payable for periods prior to May 31, 1969 and taxes in respect of or measured by income for periods prior to May 31, 1969, or arising out of any transaction or state of affairs entered into or existing on or before that date, including interest, penalties or any other assessments; and except to the extent disclosed in this Agreement or in a Schedule hereto, any and all liabilities incurred since May 31, 1969 have been incurred in the ordinary course of business and are not attributable to any period prior to May 31, 1969.

1.8. Since May 31, 1969, except to the extent disclosed in this Agreement or in a Schedule hereto, there has not been (i) any material adverse change in the business or condition, financial or otherwise, of PLT, the Portuguese Branch of CELSA, or BERTRAND, whether or not arising in the ordinary course of business, (ii) any material destruction or loss of or damage to any of the assets or properties of said companies (whether or not covered by insurance) which materially and adversely affects the conduct of their business, (iii) any dividend or other distribution declared, paid or made by any of said companies to their shareholders or owners except for payments to the owners of the minority interest in BERTRAND as provided in its contract of association, (iv) any purchase, redemption, or other acquisition by PLT of any shares of its capital stock or any reduction in the capital of any of said companies, (v) any issuance, sale or other disposition by PLT of any shares of its capital stock or any increase in the capital or the issuance of any other securities of any of said companies, except that additional quotas in BERTRAND have been paid up, (vi) the incurrence of any indebtedness for borrowed money except in the ordinary course of business, or (vii) any increase in the compensation payable or to become payable by said companies to any of their officers, employees or agents over the rates paid at May 31, 1969, except for normal merit increases.

1.9. PLT and BERTRAND have duly filed all tax returns and other reports required to be filed by them with all appropriate taxing authorities and have paid all taxes, interest, penalties, assessments or deficiencies assessed by any such taxing authority, except those being contested in good faith by appropriate proceedings.

1.10. Schedule A annexed hereto contains a complete and correct list of all real property owned by PLT, the Portuguese Branch of CELSA, and BERTRAND (with the address of each parcel of real estate and a brief description of the principal buildings and structures located thereon) and all leases of real property to which said companies are parties (with the address of each parcel of real estate covered thereby, a brief description of the principal buildings and structures located thereon, the term of the lease, renewal options, the amount or manner of determining the rent, obligations to pay for taxes and repairs, and other material provisions). Except as set forth in said Schedule, each of the companies has good and marketable title to the real property stated in the Schedule to be owned by it, free and clear of any mortgage, lien, pledge, charge, claim or encumbrance, other than the lien of taxes not yet due or payable or being contested in good faith by appropriate proceedings and such imperfections of title and encumbrances, if any, as do not materially detract from the value, or interfere with the present or continued use, of such real properties; each written lease listed in said Schedule is a valid and binding agreement enforceable in accordance with its terms, and no material default exists under any provision thereof; and all buildings referred to in said Schedule are in good repair, normal wear and tear excepted, and conform in all material respects to all applicable ordinances, regulations and zoning laws.

1.11. Schedule B annexed hereto contains a complete and correct list of all material legal actions, suits or proceedings to which PLT, the Portuguese Branch of CELSA, or BERTRAND is a party, and a brief description thereof; and except as set forth in said Schedule, there are no material legal actions, suits or proceedings pending, or to the knowledge of CELSA threatened, against PLT, the Portuguese Branch of CELSA, or BERTRAND, or the properties or business of any of them, or affecting CELSA's ownership of PLT, its Portuguese Branch, or BERTRAND, or which would prevent or hinder the consummation of the transactions contemplated by this Agreement; and none of said companies is charged with, or is under investigation with respect to, a violation of any provision of law or administrative ruling or regulation relating to any aspect of its business.

1.12. Schedule C annexed hereto contains a complete and correct list of all contracts, agreements, licenses or franchises (other than those referred to in Section 1.13) to which PLT, the Portuguese Branch of CELSA, or BERTRAND is a party, except (i) contracts with subscribers



to telephone book advertising and (ii) contracts for the purchase or sale of merchandise or services which involve the payment of less than \$2,000. All such contracts, agreements, licenses and franchises are valid and binding and enforceable in accordance with their terms, and no default exists under any material provision thereof.

1.13. Schedule D annexed hereto contains a complete and correct list of all collective bargaining agreements, employment or consulting contracts with directors, executives, employees or others, executive or employee compensation plans, deferred compensation agreements, employee pension or retirement plans and employee profit sharing or bonus plans, to which PLT, the Portuguese Branch of CELSA, or BERTRAND is a party.

1.14. Schedule E annexed hereto contains a complete and correct list of each type of report (other than tax returns) required to be filed by PLT, the Portuguese Branch of CELSA, or BERTRAND with any government or any agency thereof.

1.15. Schedule F annexed hereto contains a complete and correct list of all patents, patent applications, copyrights, trademark registrations, trademark registration applications and trade-names owned or used by PLT, the Portuguese Branch of CELSA, or BERTRAND.

1.16. Schedule G annexed hereto contains a complete and correct list of all securities (other than evidences of indebtedness maturing within 90 days) owned by PLT, the Portuguese Branch of CELSA, or BERTRAND, none of which are subject to any restrictions, legal or contractual, on the disposition thereof.

1.17. Schedule H annexed hereto contains a complete and correct list of the ten largest suppliers (by dollar volume) of products or services to each of PLT, the Portuguese Branch of CELSA, and BERTRAND, during the year ended December 31, 1968.

(b) TASEC represents and warrants to ITTWD as follows:

1.18. TASEC is a corporation duly organized, validly existing and in good standing under the laws of the Bahamas; and all necessary corporate action has been taken to authorize the execution and delivery of this Agreement by TASEC and the performance by it of its obligations hereunder.

**SECTION 2. Representations and Warranties of ITTWD.** ITTWD represents and warrants to TASEC and CELSA as follows:

2.1. ITTWD is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware.

2.2. All necessary corporate action has been taken to authorize the execution and delivery of this Agreement by ITTWD and the performance by it of its obligations hereunder.

**SECTION 3. Purchase and Sale of Companies.** On the basis of the representations and warranties herein contained, and subject to the terms and conditions herein set forth, ITTWD, TASEC and CELSA agree as follows:

3.1. CELSA agrees that at or prior to Closing Time it will duly transfer to PLT the assets and business of its Portuguese Branch related to its Portuguese telephone directory operations, and will cause PLT to duly assume the liabilities of said Portuguese Branch related to its Portuguese telephone directory operations, pursuant to, and to the extent set forth in, an instrument of assignment and assumption in the form attached hereto as Exhibit 1, which instrument shall also effect the termination of a certain agreement between CELSA and PLT dated March 17, 1959, relating to the division of services for the telephone directory operation. CELSA agrees that after giving effect to such transfer and assumption, it will sell to ITTWD, and ITTWD agrees to purchase from CELSA, all of the issued and outstanding shares of capital stock, both common and preferred, of

PLT, which shares are in bearer form and will be delivered to ITTWD at Closing Time. The purchase price to be paid by ITTWD for such shares of PLT shall be (a) \$5,650,000 to be paid at Closing Time by ITTWD depositing the amount of \$4,750,000 with Morgan Guaranty Trust Company of New York as Escrow Agent in accordance with the form of the Escrow Agreement attached hereto as Exhibit 2 and delivering to CELSA the amount of \$900,000 which CELSA will deposit with Morgan Guaranty Trust Company of New York in escrow pursuant to Section 6.2 hereof, plus (b) such additional amount determined in accordance with Section 3.6 to be paid subsequent to Closing Time as provided therein.

3.2. TASEC agrees that at Closing Time it will cancel its management contracts with CELSA and PLT by an instrument of cancellation in form and substance satisfactory to counsel for ITTWD, and as consideration therefor ITTWD agrees to pay TASEC at Closing Time the sum of \$1,850,000.

3.3. CELSA agrees that it will sell to ITTWD, and ITTWD agrees to purchase from CELSA, CELSA's 92.1% interest in BERTRAND, represented by quotas of Esc. 23,025,000 of which Esc. 17,488,000 has been paid up and Esc. 5,537,000 remains unpaid. Said transfer shall be effected at Closing Time in Portugal by public deed signed before a notary in accordance with the laws of Portugal. The purchase price to be paid by ITTWD for said interest in BERTRAND shall be the amount determined in accordance with Section 3.6 to be paid subsequent to Closing Time as provided therein. ITTWD hereby assumes, effective as of Closing Time, CELSA's obligations to pay up its quotas in BERTRAND. CELSA hereby waives in favor of ITTWD, effective as of Closing Time, any rights which it may have to purchase additional quotas in BERTRAND and any other rights which it may have under BERTRAND's contract of association.

3.4. CELSA agrees with respect to the contract dated March 28, 1968 between PLT and Telefones de Lisboa e Porto—Empresa Publica ("Telefones") to which CELSA is a party, that CELSA will remain as guarantor to Telefones in accordance with the terms of said contract until such time as ITTWD or an affiliate of ITTWD is accepted in substitution of CELSA as guarantor or until Telefones indicates in writing that CELSA is released as guarantor without the need of substitution, and, further, CELSA agrees that it will take all necessary action to prevent, and to refrain from any action which in any way might constitute, a breach by CELSA of its obligations under said contract. ITTWD hereby assumes, effective as of Closing Time, all of CELSA's obligations under said contract with Telefones and agrees to indemnify and hold harmless CELSA from and against any liability which it may incur as guarantor under said contract; and subsequent to Closing Time, ITTWD will use its best efforts, in cooperation with CELSA, to cause itself or its affiliate to be substituted in place of CELSA as guarantor under said contract in such a manner as to relieve CELSA from any further obligations thereunder. ITTWD hereby assumes, effective as of Closing Time, all of the obligations of CELSA and Artes Graficas Gomes de Souza S. A. under a guarantee of payment by BERTRAND for the printing press being purchased by it from MAN Augsburg A. C. and agrees to indemnify and hold harmless said companies from and against any liability which they may incur under said guarantees; and subsequent to Closing Time, ITTWD will use its best efforts, in cooperation with said companies, to cause itself to be substituted in their place as guarantor in such a manner as to relieve said companies from any further obligations to MAN Augsburg A. C.

3.5. Consummation of the transactions contemplated by Sections 3.1 through 3.3, inclusive, of this Agreement shall take place at the office of First Jersey National Bank, One Exchange Place, Jersey City, New Jersey, and in Lisbon, Portugal as to the BERTRAND transfer, or at such other place as the parties hereto may agree to, immediately upon execution of this Agreement (referred to herein as "Closing Time"). All transactions at the closing shall be deemed to have occurred simultaneously, and unless all of the transactions contemplated by Sections 3.1 through 3.3 of this Agreement are effected, none of such transactions shall be effected. All payments made to TASEC and CELSA at the closing shall be in United States Dollars and shall be made by certified checks payable to their respective orders. All transfer taxes, if any, required in connection with this transaction will be paid by CELSA.



3.6. ITTWD shall cause Arthur Andersen & Co. or its affiliate to audit as of May 31, 1969 the accounts of PLT (giving effect as of that date to the transfer to it of the assets and business of the Portuguese Branch of CELSA and the assumption by it of the liabilities of said Branch as provided in Section 3.1 but eliminating any interest which it had as of that date in BERTRAND) and of BERTRAND, and as soon as practicable after Closing Time to deliver to ITTWD and CELSA certified balance sheets of said companies as of May 31, 1969 and a certificate setting forth the tangible net worth of said companies as of May 31, 1969 computed in accordance with this Section 3.6. For purposes of this Agreement tangible net worth means total assets (including receivables) used in or arising out of the telephone directory and printing operations in Portugal, less liabilities and intangible assets (start up costs, franchise costs, goodwill and organization expenses shall be deemed intangible assets), all determined in accordance with generally accepted accounting principles. In computing tangible net worth of PLT and BERTRAND, provision for employee dismissal indemnity shall be  $33\frac{1}{3}\%$  of the maximum liability if all employees were dismissed. In computing tangible net worth of BERTRAND, the account receivable from Biafra shall be fully reserved against as a doubtful account. As soon as practicable after receipt by ITTWD of said certificate setting forth the tangible net worth of said companies as of May 31, 1969, the following payments shall be made by certified checks payable in United States Dollars:

(a) If at May 31, 1969 the tangible net worth of PLT (giving effect to the transfer to it of the assets and business of the Portuguese Branch of CELSA and the assumption by it of the liabilities of said Branch as provided in Section 3.1 but eliminating any interest which it had as of that date in BERTRAND) as set forth in said certificate is positive, ITTWD shall pay to CELSA an amount equal to such tangible net worth as of May 31, 1969, or if it reflects a deficit, CELSA shall repay to ITTWD an amount equal to such deficit.

(b) If at May 31, 1969 the tangible net worth of BERTRAND as set forth in said certificate is positive, ITTWD shall pay to CELSA an amount equal to 92.1% of such tangible net worth as of May 31, 1969, or if it reflects a deficit, CELSA shall repay to ITTWD, an amount equal to 92.1% of such deficit. In addition, ITTWD shall pay to CELSA 92.1% of the amount by which the \$600,000 appraised value of BERTRAND's Dafundo plant, less any capital gains tax (mais valia), transfer tax (sis) and any other taxes that might be applicable to a sale of such property at such appraised value, exceeds the book value thereof at May 31, 1969.

At the time of such payments, any open accounts shall be settled between PLT or BERTRAND on the one hand and CELSA or any affiliate or associated company of CELSA on the other hand.

The determination by Arthur Andersen & Co. or its affiliate of the tangible net worth of said companies, as set forth in the aforesaid certificate, shall be final and conclusive, unless within 20 days after receipt by CELSA of said certificate CELSA delivers to ITTWD an objection thereto in writing stating the amount by which CELSA believes the tangible net worth of PLT or BERTRAND is in excess of the amount set forth in said certificate. If the items in dispute are not resolved by negotiation within 20 days after receipt by ITTWD of said objection, the matter shall be submitted for arbitration to a second firm of auditors selected jointly by ITTWD and CELSA, and the determination of said firm of auditors shall be final and conclusive and binding on both ITTWD and CELSA. ITTWD shall promptly pay to CELSA the additional amount, if any, determined to be payable to CELSA pursuant to the above procedures as if said amount had been included as part of tangible net worth in the aforesaid certificate.

3.7. From time to time subsequent to Closing Time, CELSA will execute and deliver such further conveyances, assignments, instruments and written assurances as ITTWD may request in order to vest and confirm in PLT title to the assets of the Portuguese Branch of CELSA and to vest and confirm in ITTWD title to the shares of PLT and the interest in BERTRAND to be purchased by ITTWD pursuant to this Agreement.

**SECTION 4. Conditions Precedent to the Obligations of ITTWD.** The obligations of ITTWD to consummate the transactions contemplated by this Agreement are subject to the accuracy of the representa-

tions and warranties of TASEC and CELSA, to the performance by TASEC and CELSA of their obligations hereunder, and to the following further conditions:

4.1. The representations and warranties of CELSA and TASEC contained in Section 1 of this Agreement shall be true in all material respects as if made at Closing Time, except to the extent that said representations and warranties are affected by the transactions contemplated by this Agreement, and ITTWD shall have received at Closing Time certificates to this effect executed by the appropriate officers of CELSA and TASEC.

4.2. ITTWD shall have received at Closing Time, in form and substance satisfactory to counsel for ITTWD, the opinion of Dr. Nuno Soares da Fonseca, counsel for CELSA in Portugal, to the effect that PLT is a corporation duly organized, validly existing and in good standing under the laws of Portugal; that the authorized capital of PLT is Esc. 6,000,000 divided into 10,000 shares of Esc. 600 each, of which 1,000 are preferred and 9,000 are common; that the corporate records of PLT indicate that all of the authorized shares of PLT have been validly issued and are fully paid and not subject to further calls or assessments; that such records do not disclose any outstanding claims, liens, options or rights of any kind to acquire, or any securities or other instruments convertible into, shares of capital stock of any class of PLT; that the form of instrument of transfer and assumption transferring the assets of the Portuguese Branch of CELSA to PLT and by which PLT assumes the liabilities of said Branch is in due legal form; that BERTRAND is a quota company (*sociedade por quotas*) duly organized, validly existing and in good standing under the laws of Portugal (registration provisional as to certain alterations of capital); that the form of deed to transfer CELSA's interest in BERTRAND to ITTWD is in due legal form; and that the consummation of the transactions contemplated hereby will not violate the charter documents of PLT or BERTRAND, or to the best of such counsel's knowledge, any mortgage, indenture, contract, agreement, order, judgment, decree, statute, ordinance or regulation by which it is bound, or require the consent of any other party thereto other than that of the owners of the minority interest in BERTRAND which has been duly obtained, and does not require the approval of or filing with any governmental authorities having jurisdiction over any of said companies, except the filing of deeds evidencing the transfers contemplated by this Agreement, or, except as provided in this Agreement, require any action by any of said companies.

4.3. CELSA shall have delivered to ITTWD resignations from each director of PLT and those of BERTRAND elected by CELSA. Said resignations shall contain a statement to the effect that each such director has no contracts, agreements or commitments with PLT or BERTRAND, as the case may be, and that he has received all payments to which he is entitled.

4.4. ITTWD and its counsel shall have received copies of such certified resolutions and other documents as they may reasonably require in order to pass upon the accuracy and completeness of the representations and warranties made by CELSA in Section 1 of this Agreement and the adequacy of the corporate proceedings taken by it to effect the transactions contemplated hereby.

4.5. None of the parties hereto shall have been restrained or enjoined by a court having jurisdiction from taking any steps necessary to consummate the transactions contemplated by this Agreement, and no litigation or governmental action or proceeding shall be pending or threatened which if successful might result in any such restraining order or injunction.

**SECTION 5. *Conditions Precedent to the Obligations of TASEC and CELSA.*** The obligations of TASEC and CELSA to consummate the transactions contemplated by this Agreement are subject to the accuracy of the representations and warranties of ITTWD, to the performance by ITTWD of its obligations hereunder, and to the following further conditions:

5.1. The representations and warranties of ITTWD contained in Section 2 of this Agreement shall be true in all material respects as if made at Closing Time, and TASEC and CELSA shall have received at Closing Time a certificate to this effect signed by the appropriate officer of ITTWD.



5.2. TASEC and CELSA shall have received at Closing Time the opinion of Victor M. Berger, Esq., General Counsel for ITTWD, to the effect that ITTWD is a corporation duly organized and validly existing under the laws of the State of Delaware; and that this Agreement has been duly authorized by all necessary corporate action on the part of ITTWD, has been duly executed and delivered by ITTWD and constitutes the valid and binding agreement of ITTWD enforceable in accordance with its terms.

5.3. TASEC, CELSA and their counsel shall have received copies of such certified resolutions and other documents as they may reasonably require in order to pass upon the accuracy and completeness of the representations and warranties made by ITTWD in Section 2 of this Agreement and the adequacy of the corporate proceedings taken by it to effect the transactions contemplated hereby.

5.4. None of the parties hereto shall have been restrained or enjoined by a court having jurisdiction from taking any steps necessary to consummate the transactions contemplated by this Agreement, and no litigation or governmental action or proceeding shall be pending or threatened which if successful might result in any such restraining order or injunction.

#### SECTION 6. *Indemnification and Escrow.*

6.1. CELSA will indemnify and hold ITTWD harmless from and against any loss which it may suffer, directly or indirectly through its ownership of PLT and BERTRAND, (a) as a result of any liabilities of PLT or BERTRAND, absolute or contingent, existing at May 31, 1969, and whether known to CELSA at that time or not, to the extent not disclosed or reserved against, as required by generally accepted accounting principles, in the certified balance sheets as of May 31, 1969, delivered to ITTWD and referred to in Section 3.6 of this Agreement, or reflected in any Schedule to this Agreement, or (b) as a result of any errors or omissions committed on the part of PLT or the Portuguese Branch of CELSA prior to Closing Time in connection with the publication of telephone directories which are not adequately disclosed in the certified balance sheet of PLT delivered pursuant to Section 3.6 of this Agreement or in any Schedule to this Agreement, or (c) as a result of any breach of warranty or inaccurate or erroneous representation of CELSA contained in this Agreement, in any Schedule hereto, or in any certificate delivered by it pursuant hereto, or (d) as a result of payments for employee indemnities made by PLT and BERTRAND during the period of this indemnity in excess of 50% of the 33⅓% reserve used in computing the tangible net worth of said companies as of May 31, 1969 insofar as said payments are made in respect of persons in the employ of said companies at that date and are based on or measured by their employment to that date, but the maximum liability of CELSA under this clause shall be 50% of said 33⅓% reserve as of May 31, 1969, or (e) in the defense of any action, suit, arbitration or proceeding arising out of any matter which is the subject of this indemnification.

6.2. To secure its obligations to ITTWD pursuant to Section 6.1 of this Agreement, or any obligations to ITTWD which it may have pursuant to Section 3.6 of this Agreement, at Closing Time CELSA will deposit with Morgan Guaranty Trust Company of New York, as Escrow Agent, in accordance with the terms of the Escrow Agreement set forth as Exhibit 3 annexed hereto, the amount of \$200,000, which escrow fund shall be reduced to \$450,000 upon the expiration of 12 months from Closing Time, subject to the provisions of said Escrow Agreement, and shall terminate upon the expiration of 24 months from Closing Time, subject to the provisions of said Escrow Agreement. ITTWD shall have the right at any time and from time to time prior to the expiration of 24 months from Closing Time to make claim against the escrow fund in accordance with the terms of the Escrow Agreement in the event that it determines CELSA has incurred a liability to it pursuant to Section 6.1 or Section 3.6 of this Agreement, in which event CELSA and ITTWD shall be bound by the terms of the Escrow Agreement. ITTWD's right to proceed against the escrow fund is in addition to, and not in limitation of, any rights which it may otherwise have under this Agreement.

**SECTION 7. *Agreement Not to Compete.***

TASEC and CELSA agree that if the transactions contemplated by this Agreement are consummated, neither they nor any of their affiliates shall in any way compete, directly or indirectly, with PLT or BERTRAND in the publication of telephone directories for a period of ten years after Closing Time in the geographical areas in which said companies are now conducting operations.

**SECTION 8. *Brokers or Finders.***

ITTWD hereby represents to TASEC and CELSA, and TASEC and CELSA hereby represent to ITTWD, that no broker or finder has been employed with respect to this Agreement or the transactions contemplated hereby, except that Robert C. Hill has rendered financial assistance to TASEC and CELSA and will be fully compensated by them for his services.

**SECTION 9. *Survival of Representations and Warranties.***

The representations, warranties and indemnity agreements made by the parties in this Agreement, in any Schedule hereto, or in any certificate delivered pursuant hereto, shall survive Closing Time for a period of 24 months, and no claim for breach of warranty, misrepresentation or for indemnity shall be made by any party against any other party after the expiration of said 24 month period, except that there shall be no limitation on the undertakings of the parties contained in Section 3.4 or on CELSA's representations, warranties and indemnity agreements insofar as they relate to taxes in respect of or measured by income for periods prior to May 31, 1969.

**SECTION 10. *Miscellaneous.***

10.1. This Agreement shall be governed by and construed in accordance with the laws of the State of New York. CELSA hereby irrevocably appoints its counsel, Messrs. Brown, Wood, Fuller, Caldwell & Ivey, as its agent for service in connection with any legal action arising out of this Agreement brought in a court of competent jurisdiction in the State of New York.

10.2. Any notices or other communication from any party hereto to any other party shall be sufficiently given if sent by registered mail or certified mail, postage prepaid, addressed as follows:

**To ITTWD**

ITT World Directories Inc.  
280 Park Avenue  
New York, New York 10017  
Attention: Secretary

**To TASEC**

Tasec Technical Advertising & Sales Engineering Corporation Limited  
% Listas Telefonicas Brasileiras S.A.  
Av. Pres. Wilson, 165  
Rio de Janeiro, Brazil  
Attention: Mr. G. Huber

**To CELSA**

Cia Editorial de Listas S.A.  
% Listas Telefonicas Brasileiras S.A.  
Av. Pres. Wilson, 165  
Rio de Janeiro, Brazil  
Attention: Mr. G. Huber

or such other addresses as shall be furnished in writing by them, and any such notice or communication shall be deemed to have been given as of the date so mailed. A copy of each notice or other communication to TASEC or CELSA shall be sent to their counsel, Messrs. Brown, Wood, Fuller, Caldwell & Ivey, 70 Pine Street, New York, N. Y. 10005, attention Charles J. Johnson, Jr., Esq.



10.3. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns.

10.4. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same Agreement, and shall become effective when one or more counterparts have been signed by all of the parties hereto and delivered to the other party.

10.5. This Agreement embodies the entire agreement and understanding between ITTWD, TASEC and CELSA and supersedes all prior agreements and understandings relating to the subject matter hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized as of the day and year first above written.

ITT WORLD DIRECTORIES INC.

By..... *R. W. Bunchard* .....

CIA. EDITORIAL DE LISTAS S.A.

By..... *E. M. Castanheira* .....

By..... *R. L. Ivey* .....

TASEC-TECHNICAL ADVERTISING & SALES  
ENGINEERING CORPORATION LIMITED

By..... *E. M. Castanheira* .....

By..... *R. L. Ivey* .....

Listas Telefonicas Brasileiras S. A. Paginas Amarelas ("LTB") hereby represented by their Directors, Eurico Moraes Castanheira, Vice President, and Robert Sydney Arthur, Financial Director, duly authorized by decision of the Board of Directors, at a meeting held on June 24, 1969, hereby guarantees performance by CELSA of any obligations which CELSA may incur to ITTWD under Section 6.1 of this Agreement, and if necessary this guaranty may be satisfied by payment in cruzeiros to ITTWD or any affiliate of ITTWD in Brazil designated by it. This guarantee shall continue in full force and effect so long as CELSA may have any obligations to ITTWD under this Agreement. This guarantee shall be governed by the laws of New York and shall be enforceable by ITTWD, at its option, either in the jurisdiction of Brazil or the United States of America. LTB hereby irrevocably appoints its counsel, Brown, Wood, Fuller, Caldwell & Ivey, as its agent for service in connection with any legal action arising out of this Agreement, brought in a court of competent jurisdiction in the State of New York.

LISTAS TELEFONICAS BRASILEIRAS S.A.  
PAGINAS AMARELAS

By..... *E. M. Castanheira* .....

By..... *R. L. Ivey* .....

PLAINTIFF'S TRIAL EXHIBIT 3 -  
P.L.T. - PUBLICACOES DE LISTAS  
TELEFONICAS, S.A.R.L. BERTRAND  
(IRMAOS), LIMITADA COMBINED  
BALANCE SHEET

REPRODUCED HEREIN AT PAGES

E-22 TO E-36



P.L.T. - PUBLICACOES DE LISTAS TELEFONICAS, S.A.R.L.

BERTRAND (IRMAOS), LIMITADA

COMBINED BALANCE SHEET AS OF MAY 31, 1969

TOGETHER WITH AUDITORS' REPORT

Arthur Andersen & Co.  
Madrid, Spain

ARTHUR ANDERSEN & Co.

MADRID. SPAIN

To the Board of Directors of  
ITT World Directories, Inc.:

We have examined the combined balance sheet of P.L.T. - PUBLICAÇÕES DE LISTAS TELEFONICAS, S.A.R.L. (a Portuguese corporation) and BERTRAND (IRMAOS), LIMITADA (a Portuguese quota company) as of May 31, 1969; the basis of presentation is set forth in Note 1 to the accompanying combined balance sheet. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances, except that, as instructed by management of Bertrand(Irmaos), Limitada, we did not request confirmation of its trade account receivable with the Bank of Biafra, amounting to Esc. 10,839,405. This receivable has been fully reserved as of May 31, 1969.

Bertrand (Irmaos), Limitada has not followed a consistent policy with respect to providing for depreciation on its machinery and equipment, based on depreciation rates established by the Company. As a result, the Company's accumulated depreciation is estimated to be understated by approximately Esc. 5,000,000 as of May 31, 1969. This understatement relates primarily to machinery and equipment acquired in 1960 and prior.



As set forth in Note 10 to the combined balance sheet, Bertrand (Irmaos), Limitada has not accrued for any amounts which will be paid in the future with respect to advances to certain quota holders in accordance with the provisions of the Company's articles of association.

In our opinion, except for the effect, if any, of such adjustments as might have been disclosed had confirmation of the Bank of Biafra account receivable been requested and except for the effect of the matters discussed in the preceding two paragraphs, the accompanying combined balance sheet presents fairly the combined financial position of P.L.T.- Publicações de Listas Telefónicas, S.A.R.L., and Bertrand (Irmaos), Limitada as of May 31, 1969, in conformity with generally accepted accounting principles which, other than for the changes for recording advertising revenues and accounting for the employee termination liability as indicated in Note 12 to the combined balance sheet, were applied on a basis consistent with those applied in the balance sheets of the Companies as of August 31, 1968.

*Arthur Andersen & Co.*

Madrid, Spain,

August 12, 1969.





P.L.T. - PUBLICAÇÕES DE LISTAS TELEFON

BERTRAND (IRMAOS), LIMITAD

COMBINED BALANCE SHEET -- MAY 31, 19

(Currency -- Portuguese Escud

<u>A S S E T S</u>	<u>P.L.T.</u>
<b>CURRENT ASSETS:</b>	
Cash	<u>7,408,676</u>
Notes and accounts receivable-	
Trade	70,276,794
Other (Notes 1 and 10)	<u>1,343,825</u>
	71,620,619
Less- Reserve for doubtful accounts	<u>747,801</u>
	<u>70,872,818</u>
Inventories (Note 2)-	
Raw materials and supplies	517,625
Work-in-process	-
Telephone directories in process	<u>7,857,967</u>
	8,375,592
Less- Reserve for slow-moving inventories	<u>-</u>
	<u>8,375,592</u>
Prepaid expenses	<u>18,081</u>
Total current assets	<u>86,675,167</u>
INVESTMENT IN BERTRAND (IRMAOS) Lda. (Note 1 and 8)	<u>2,725,000</u>
PROPERTY, PLANT AND EQUIPMENT, at cost:	
Land and buildings (Note 5)	-
Machinery and equipment (Note 5)	1,169,463
Office furniture and equipment	3,276,056
Vehicles	<u>35,660</u>
	4,481,179
Less- Accumulated depreciation	<u>1,890,168</u>
	2,591,011
Land and new factory project (Note 3)	<u>-</u>
	<u>2,591,011</u>
DEPOSITS	<u>100,290</u>
	<u>92,091,468</u>
	<u>-----</u>

The accompanying notes to combined balance sheet are an

ICAS, S.A.R.L.

A  
69 (NOTE 1)  
 os)

<u>Bertrand</u>	<u>Eliminations</u> (Note 1)	<u>Combined</u>
<u>1,644,037</u>	<u>-----</u>	<u>9,052,713</u>
19,966,076	-	90,242,870
<u>2,206,485</u>	<u>-----</u>	<u>3,550,310</u>
22,172,561	-	93,793,180
<u>15,436,744</u>	<u>-----</u>	<u>16,184,545</u>
<u>6,735,817</u>	<u>-----</u>	<u>77,608,635</u>
3,633,454	-	4,201,079
<u>3,276,236</u>	<u>-----</u>	<u>3,276,236</u>
<u>-----</u>	<u>-----</u>	<u>7,857,967</u>
6,959,690	-	15,335,282
<u>1,113,023</u>	<u>-----</u>	<u>1,113,023</u>
<u>5,846,667</u>	<u>-----</u>	<u>14,222,259</u>
<u>317,930</u>	<u>-----</u>	<u>336,011</u>
<u>14,544,451</u>	<u>-----</u>	<u>101,219,618</u>
<u>-----</u>	<u>(2,725,000)</u>	<u>-----</u>
7,713,137	-	7,713,137
<u>34,399,653</u>	<u>-----</u>	<u>35,569,116</u>
<u>5,485,066</u>	<u>-----</u>	<u>8,761,122</u>
<u>759,927</u>	<u>-----</u>	<u>795,587</u>
<u>48,357,783</u>	<u>-----</u>	<u>52,838,962</u>
<u>24,858,846</u>	<u>-----</u>	<u>26,749,014</u>
<u>23,498,937</u>	<u>-----</u>	<u>26,089,948</u>
<u>18,179,203</u>	<u>-----</u>	<u>18,179,203</u>
<u>41,678,140</u>	<u>-----</u>	<u>44,269,151</u>
<u>147,571</u>	<u>-----</u>	<u>247,861</u>
<u>56,370,162</u>	<u>(2,725,000)</u>	<u>145,736,630</u>
<u>-----</u>	<u>-----</u>	<u>-----</u>

integral part of this statement.



P.L.T. PUBLICAÇÕES DE LISTAS TELEF

BERTRAND (IRMAOS), LIM

COMBINED BALANCE SHEET -- MAY 31,

(Currency -- Portuguese Es

<u>LIABILITIES</u>	<u>P.L.T.</u>
<b>CURRENT LIABILITIES:</b>	
Short-term bank borrowing (Note 4)	26,256,00
Mortgage loan payable (Note 5)	-----
Notes and accounts payable-	
Trade 6	9,591,94
Due on land and machinery	1,058,09
Other	10,650,03
Accrued income taxes payable (Note 6)	8,647,21
Other accrued liabilities	11,000,00
Total current liabilities	51,000,00
<b>INTERCOMPANY ACCOUNTS (RECEIVABLE) PAYABLE</b>	
(Note 1):	( 8,647,4
Bertrand	-----
P.L.T.	23,107,0
Celsa	1,937,3
Tasec	( 40,0
LTB, Brazil	16,356,9
<b>LONG-TERM NOTES PAYABLE, principally on land and</b>	
<b>machinery and due in various installments</b>	
<b>through 1972</b>	-----
<b>EMPLOYEE TERMINATION RESERVE (Note 7)</b>	1,050,6
<b>STOCKHOLDERS' INVESTMENT:</b>	
Capital (Note 8)	6,000,0
Legal reserve (Note 9)	200,0
Earned surplus (deficit) (Note 8)	10,835,0
	17,035,0
	92,091,0
	-----

The accompanying notes to combined balance sheet a

ONCAS, S.A.R.L.

TADA

1969 (NOTE 1)

(scudos)

	<u>Bertrand</u>	<u>Eliminations</u> (Note 1)	<u>Combined</u>
0	6,600,000	---	32,856,000
-	5,847,276	---	5,847,276
5	10,530,842	-	20,122,787
	6,412,875	-	6,412,875
4	342,162	---	1,400,256
9	17,285,879	---	27,935,918
5	7,199,991	---	15,888,206
4	2,716,569	---	14,771,153
58	32,649,715	---	97,298,553
12)	-	8,647,412	-
	2,124,664	( 2,124,664)	-
99	6,522,748	( 6,522,748)	23,107,099
12	2,852	-	1,940,164
40)	( 185,328)	---	( 225,368)
59	8,464,936	---	24,821,895
	4,888,508	---	4,888,508
16	3,614,278	---	4,664,894
000	19,463,000	(3,315,000)	22,148,000
000	234,468	-	434,468
055	(19,944,743)	590,000	( 8,519,688)
055	( 247,275)	(2,725,000)	14,062,780
468	56,370,162	(2,725,000)	145,736,630
	-----	-----	-----

re a integral part of this statement.

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P.L.T. - PUBLICAÇÕES DE LISTAS TELEFONICAS, S.A.R.L.

BERTRAND (IRMAOS), LIMITADA

NOTES TO COMEINED BALANCE SHEET

MAY 31, 1969

(1) Basis of Presentation

Cía.Editorial de Listas, S.A. "CELSA", a Panamanian corporation, has been engaged in the publication of telephone directories in Portugal through its Portuguese branch and through P.L.T. - Publicações de Listas Telefónicas, S.A.R.L. "P.L.T.", its Portuguese affiliate. The Portuguese telephone directories have been printed by CELSA's majority held Portuguese subsidiary, Bertrand (Irmaos), Limitada "Bertrand".

In accordance with an agreement between ITT World Directories, Inc. "ITTWD", TASEC-Technical Advertising and Sales Engineering Corporation Limited "TASEC", and CELSA, dated July 9, 1969, wherein are set forth the terms and conditions of ITTWD acquiring from CELSA its telephone directory and printing operations in Portugal, CELSA transferred to P.L.T. the net assets and business of its Portuguese branch related to its Portuguese telephone directory operations, except that such net assets did not include the branch's liability for income taxes. In addition, CELSA also agreed to terminate its arrangements with P.L.T. relating to the division of services for the telephone directory operation, and TASEC agreed to cancel its management contract with P.L.T.

The accompanying combined balance sheet includes the accounts of P.L.T. and Bertrand as of May 31, 1969. Reflected in the P.L.T. accounts are the net assets of CELSA relating to its Portuguese telephone directory operations as of that date which were being transferred to P.L.T. as set forth in the above mentioned agreement. These net assets, totalling Esc. 23,107,099, may be summarized as follows:

<u>Description</u>	<u>As of May 31, 1969</u>	
ASSETS:		
Current assets	Esc. 3,266,131	
Equipment, net	<u>1,414,646</u>	Esc. 4,680,777
Intercompany accounts receivable:		
Bertrand	Esc. 6,522,748	
P.L.T.	<u>38,789,684</u>	<u>45,312,432</u>
Total assets		Esc. 49,993,209
LIABILITIES:		
Current liabilities, including short-term bank borrowings of Esc. 12,600,000	Esc. 26,287,985	
Employee termination reserve	<u>598,125</u>	<u>26,886,110</u>
Net assets, reflected in intercompany accounts as payable to CELSA		Esc. 23,107,099
		=====

Also pursuant to the above mentioned agreement, certain of P.L.T.'s net assets not related to its Portuguese telephone directory operations were transferred to CELSA. The balances of such net assets as of May 31, 1969, totalling Esc. 457,779, reflected in the accompanying balance sheet, may be summarized as follows:

<u>Description</u>	<u>As of May 31, 1969</u>	
ASSETS:		
Other accounts receivable	Esc.	31,051
Investment in Bertrand, net		2,725,000
Intercompany account receivable, LTB, Brazil		<u>40,040</u>
Total assets	Esc.	2,796,091
LIABILITIES:		
Other accounts payable		401,000
Intercompany account payable, TASEC		<u>1,937,312</u>
Net assets	Esc.	457,779



In the accompanying combined balance sheet, all significant transactions and account balances between P.L.T. and Bertrand as of May 31, 1969, have been eliminated.

(2) Inventories

Telephone directories in process reflected in P.L.T.'s inventory represent the cost of preparing the new editions of these directories which are now in process and include related general and administrative expenses.

Raw materials and supplies of P.L.T. and Bertrand, as well as Bertrand's work-in-process inventory, are stated at the lower of average cost or market.

As of May 31, 1969, CELSA has guaranteed P.L.T.'s performance under its contract with Telefones de Lisboa e Porto - Empresa Pública. This guarantee may be transferred to ITTWD or one of ITTWD's affiliates at some future date.

(3) Land and New Factory Project

Bertrand is currently in the process of negotiating a contract for the construction of a factory building on land which has already been acquired in Queluz, Portugal. As of May 31, 1969, costs incurred on this project were as follows:

<u>Description</u>	<u>Amount</u>
Land	Esc. 13,464,400
Preliminary costs for factory building construction	1,816,621
	-----
	15,281,021
Advances relating to ma- chinery for the new factory building	2,898,182
	-----
	Esc. 18,179,203
	=====

The estimated cost of the factory building is Esc. 15,000,000. The Company has contracted for the purchase of a web offset press and auxiliary equipment to be utilized in the new factory building. This machinery, which is scheduled for delivery in late 1969, will cost german D.M. 2,160,902, or Esc. 15,970,000 at present exchange rates. The Esc. 2,898,182 represents payments already made of Esc. 776,650 and accepted drafts due in December, 1969, of Esc. 2,121,532. The remaining amounts to be paid for this machinery (approximately Esc. 13,000,000) will be payable in installments over a five and one half year period from date of delivery. Payments for this machinery have been guaranteed by CELSA and one of its affiliates. This guarantee was transferred to ITTWD in connection with the agreement dated July 9, 1969, discussed in Note 1 above.

P.L.T. and Bertrand have no significant capital commitments, other than those described above.

(4) Short-term Bank  
Borrowings

As of May 31, 1969, Esc. 32,856,000 short-term bank borrowings have been utilized, primarily in the form of discounted accomodation drafts for affiliated company working capital purposes.

In June, 1969, P.L.T. increased its short-term bank borrowings by Esc. 12,000,000 through discounted accomodation drafts. These funds have been utilized primarily to reduce the intercompany account payable to CELSA.

(5) Mortgage Loan  
Payable

As of May 31, 1969, Bertrand had Esc. 5,847,276 due to Caixa Geral de Depósitos, Crédito & Previdencia on a 5% mortgage loan. This loan has an official maturity of six months, which has been renewed on a six month basis since its inception in 1965, with a principal payment of Esc. 440,000 each semester.



If the present repayment program is maintained, the loan will be repaid in yearly amounts of Esc. 880,000, through 1975. However, the total amount due has been classified as a current liability in the accompanying combined balance sheet, because of its official term status being six months.

The Company's land, buildings and machinery and equipment located in Dafundo, Portugal, have been mortgaged as security for this loan.

6) Accrued Income Taxes  
Payable

Pending final review by the tax authorities, income taxes for the following periods have not been settled:

P.L.T. - From January 1, 1968 through May 31, 1969

Bertrand - From January 1, 1964 through May 31, 1969

The Companies have provided for income taxes in the accounts for these periods on the basis of taxable income estimated to be assessed and applicable tax rates in effect.

The amount of income taxes which will be finally due cannot be accurately determined now since such taxes are dependent primarily on the amount of non-allowable expenses, if any, which may result from the tax authorities' reviews. In the opinion of management, the actual tax liabilities of the Companies will not materially exceed the amount reflected in the accompanying combined balance sheet.

As set forth in Note 1 above, the income tax liability of CELSA's Portuguese branch was not transferred to P.L.T.

7) Employee Termination  
Reserve

Under Portuguese labor laws, personnel dismissed in certain circumstances are entitled to a termination indemnity based on length of service and level of computation at the date

of termination. In the accompanying combined balance sheet, a reserve has been provided for one-third of the maximum such liability if all employees were dismissed as of that date.

P.L.T. has approximately 50 sales agents who are not registered as employees of the Company and who are remunerated on a commission basis for sales orders obtained. In the opinion of management, the Company does not have a liability with respect to the termination of these agents, and accordingly, the accompanying combined balance sheet reflects no such reserve.

8) Capital

The capital of P.L.T. is represented by capital stock, as follows:

<u>Series</u>	<u>Shares per vote</u>	<u>Number of shares</u>	<u>Par value, each</u>	<u>Total</u>
Preferential	1	1,000	600	600,000
Common	<u>100</u>	<u>9,000</u>	<u>600</u>	<u>5,400,000</u>
		10,000		6,000,000
		=====		=====

In February, 1969, the capital stock of the Company was increased from Esc. 1,000,000 to Esc. 6,000,000 by the transfer of Esc. 5,000,000 to capital stock from earned surplus. In conjunction with this transfer, the par value of each share was increased from Esc. 100 to Esc. 600.

In the event of liquidation, the holders of preferential shares have a prior claim on the net assets of the Company up to ten percent of the par value of the preferred shares. They will also share with the holders of common shares in any excess of net assets over the par value of capital stocks in proportion to the aggregate par value of preferential and common shares.

The capital of Bertrand, which is represented by quotas, is authorized by the Company as Esc. 25,000,000, although only Esc. 7,700,000 has been officially registered by the Company in the Lisbon Commercial Register as required by Portuguese Law. As of May 31, 1969, Esc. 19,463,000 has been reflected as paid in, of



which Esc. 5,659,000 represents the capitalization of inter-company accounts payable as of that date (Esc. 5,260,000 by CELSA and Esc. 399,000 by P.L.T.). In accordance with the agreement discussed in Note 1 above, ITTWD has assumed the obligation with respect to the remaining amounts due as capital totalling Esc. 5,537,000. There is no present requirement or commitment for these amounts to be paid in.

In the accompanying combined balance sheet, P.L.T.'s investment in Bertrand as of May 31, 1969, of Esc. 3,315,000 less Esc. 590,000 for possible losses, has been eliminated. As set forth in Note 1 above, this investment has subsequently been transferred to CELSA.

(9) Legal Reserve

In accordance with Portuguese Law, at least 5% of annual net income must be set aside in a legal reserve until such reserve equals the statutory requirement of 20% of capital. This reserve is not available for distribution but may be used to absorb losses after all other free reserves and accumulated earnings have been exhausted.

As of May 31, 1969, the remaining statutory requirement with respect to the Companies' legal reserves amounted to Esc. 1,000,000 for P.L.T., and Esc. 3,658,132 for Bertrand based on its reported capital at that date of Esc. 19,463,000.

(10) Advance Payments on  
Account of Future  
Profits

In accordance with Bertrand's articles of association as revised to date, certain of the Company's quota holders are entitled to receive annual payments defined as advances on account of future profits. These payments are due to the individual or his spouse for life, upon involuntary termination or retirement from service in the Company. The articles of association make no provision for the repayment of the advances in the absence of profits nor for the termination of the right to receive these advances if the individual is no longer a quota holder of the Company.

Currently, such advances are being made to the following quota holders totalling Esc. 540,000, as follows:

<u>Names</u>	<u>Quotas held</u>	<u>Annual advances</u>
Irene Bertrand	Esc. 460,000	Esc. 180,000
Domingo Bertrand	460,000	180,000
Vicente Bertrand	460,000	180,000
	Esc. 1,380,000*	Esc. 540,000*
	=====	=====

Advances due the other quota holders entitled to such amounts upon involuntary termination or retirement will total Esc. 169,200, as follows:

<u>Names</u>	<u>Quotas held</u>	<u>Annual advances</u>
Manuel Bertrand	Esc. 872,000	Esc. 124,200
Carlos Bertrand	316,000	45,000
	Esc. 1,188,000*	Esc. 169,200*
	=====	=====
* Combined amount	Esc. 2,568,000	Esc. 700,200
	=====	=====

As of May 31, 1969, the Company had an account receivable of Esc. 1,404,000 representing the excess of such advances over profits attributable to the three currently participating quota holders. The Company has made no attempt to recover these amounts which have been accumulating since 1965. In the opinion of management, there is little possibility of collection and these amounts have been fully reserved in the accompanying combined balance sheet.

While the Company has not obtained a conclusive legal opinion concerning its obligation to make such advances in the absence of applicable profits, management believes that the Company does have this obligation. The present capital value



of the future obligation to pay these yearly advances totaling Esc. 709,200 is estimated to be Esc. 6,000,000, discounted at 4% per annum and considering that advances to Manuel and Carlos Bertrand would be due as from June 1, 1969. No accrual has been made in the accompanying combined balance sheet for amounts which will be paid in the future in this respect.

11) Trade Drafts  
Discounted

As of May 31, 1969, the Companies were contingently liable as endorser's of unmatured trade drafts discounted at banks, as follows:

<u>Company</u>	<u>Amount</u>
P.L.T.	Esc. 18,764,066
Bertrand	<u>5,463,418</u>
	Esc. 24,227,484
	=====

12) Changes in Accounting Policies

As of May 31, 1969, P.L.T. and CELSA's Portuguese branch adopted the policy of recording advertising revenues relating to telephone directory extensions when the directory edition to which the extension related, is completed and distributed. Previously, such revenues were deferred until the new edition was completed and distributed. Had this change in accounting policy been applied to the balance sheets as of August 31, 1968, net assets of P.L.T. and of the Portuguese branch of CELSA would have been increased as of that date by approximately Esc. 1,830,000 and Esc. 340,000, respectively, after recognizing the income tax effect.

As of May 31, 1969, Bertrand adopted the policy of providing for one-third of its maximum employee termination liability, discussed more fully in Note 7 above. Had this change in accounting policy been applied to the balance sheet as of August 31, 1968, the Company's net assets would have been decreased at that date by approximately Esc. 3,950,000.



Officinas Gráficas

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Telefs. PPC 21 5116, 21 2135  
Dafundo - Portugal

Trav. Condessa do Rio, 7  
Telefs. PBX 30056, 321369, 321369  
Lisboa - Portugal

ARTHUR ANDERSEN & CO

Arapiles 13,

Madrid 15

E S P A N H A

Sua referência

Sua comunicação de

Nossa referência

DAFUNDO, 12/3/69

ASSUNTO:

Dear Sirs,

In connection with your examination of the combined balance sheet of PLT-Publicações de Listas Telefónicas SARL, and Hertrand (Irmãos) Lda as of May 31, 1969, you have inquired whether we have knowledge of any significant facts not made known to you concerning the matters mentioned below. We understand that these matters have been reviewed or checked by you to the extent that they have come within the scope of your examination and that you have determined the scope of your examination in accordance with generally accepted auditing standards applicable in the circumstances. We give our assurance, without undertaking to guarantee, that so far as we know:

1. The combined balance sheet and related notes, as applicable to our Company signed by us on August 12, 1969, properly show the financial position of the Company as of May 31, 1969, determined in accordance with 1) generally accepted accounting principles and 2) the terms of the July 9, 1969, agreement between ITF World Directories Inc. (ITTID), TASEC-Technical Advertising & Sales Engineering Corporation Limited, and Cia. Editorial de Listas S.A. (CELSA) wherein are set forth the terms and conditions of ITTID acquiring from CELSA its telephone directory and printing operations in Portugal, except that the Company has not followed a consistent policy with respect to providing for depreciation on its machinery and equipment, based on depreciation rates established by the Company. As a result on a generally accepted accounting basis consistently applied the

.../...

# Bertrand (Irmãos), Lda.

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Trav. Condessa do Rio, 7  
Telefs. PAX 30354, 321387, 321348  
Lisboa - Portugal

Officinas Gráficas

-2-

Sua referência      Sua comunicação de      Nossa referência      DAFUNDO,

## ASSUNTO:

Company's accumulated depreciation is estimated to be understated by approximately Esc: 5,000,000 as of May 31, 1969. This understatement relates primarily to machinery and equipment acquired in 1960 and prior. Also, as set forth in Note 10, the Company has not accrued for any amounts as of May 31, 1969, which will be paid in the future with respect to advances to certain quota holders in accordance with the provisions of the Company's articles of association.

The Company's land, buildings and improvements at Dafundo are shown as of May 31, 1969 at cost of Esc. 7,713,137 less accumulated depreciation of Esc. 2,271,832. In the event that such land, buildings and improvements are sold for Esc. 16,911,000 (US\$ 600,000 at the present rate of exchange), <sup>Should be 17,143,000</sup> applicable <sup>Esc. 160,000</sup> portuguese taxes on such sale would be:

- a) SISA land transfer tax of 9.6% of the sales price, amounting to Esc. 1,623,000. <sup>Should be Esc 1,646,000</sup>
- b) Capital gains tax of 10% on the excess of sales price over the net book value at the date of disposal. Had such disposal been effected at May 31, 1969, the capital gains tax would have been Esc. 1,147,000. <sup>Should be Esc 1,170,000</sup>

2. As of May 31, 1969, the Company had: a) satisfactory title to all assets, b) no unrecorded or contingent assets, c) no unrecorded liabilities, d) contingent liabilities other than those fully disclosed in the notes to the May 31, 1969, combined balance sheet referred to in paragraph 1 above, d) no excess or obsolete inventories that had not been reduced to net realisable value, and





Kotogravura Encadernação  
Fotogravura Desenho

# Bertrand (Irmãos), Lda.

Officinas Gráficas

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Telefs. PBX 3 00 54, 32 13 89, 32 13 68  
Lisboa - Portugal

-3-

Sua referência

Sua comunicação de

Nossa referência

DAFUNDO,

## ASSUNTO:

f) no capital repurchase agreements and no capital reserved for options, warrants, conversions or other requirements.

3. All transactions of the company during the period August 31, 1968, to date with outside parties were conducted on an arm's-length basis, and, to that end, none of the officers or key employees of the company had any material direct or indirect ownership (other than through investment in publicly traded securities) or profit participation in outside business enterprises with which the company had significant purchases or sales.

4. Since May 31, 1969, there have been no events or transactions other than those reflected or fully disclosed in the combined balance sheet which have a material effect on our financial position reflected in that combined balance sheet or which should be disclosed therein to make it not misleading.

5. All accounting and financial records and related data of the company were available to you, and none of them were withheld from you.

Very truly yours,

PLAINTIFF'S TRIAL EXHIBIT 4 -  
LETTER DATED DECEMBER 8, 1969  
FROM BERTRAND (IRMAOS), LDA TO  
ARTHUR ANDERSON & CO.



DEFENDANTS' TRIAL EXHIBIT A -  
BERTRAND (IRMAOS) LIMITADA  
BALANCE SHEET AS OF AUGUST 3, 1968

REPRODUCED HEREIN AT PAGES

E-39 TO E-44

BERTRAND (IRMAOS), LIMITADA

BALANCE SHEET AS OF AUGUST 31, 1968

TOGETHER WITH AUDITORS' REPORT

Arthur Andersen & Co.



ARTHUR ANDERSEN & Co.  
MADRID, SPAIN

To the Board of Directors of  
Bertrand (Irmaos), Limitada:

We have examined the balance sheet of BERTRAND (IRMAOS), LIMITADA as of August 31, 1968. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances, except as explained in the two following paragraphs.

In accordance with your instructions, we did not extend our auditing procedures sufficiently to enable us to express an opinion on the consistency of application of accounting principles in the accompanying balance sheet as of August 31, 1968, with those applied in the balance sheet as of December 31, 1967.

Included in trade notes and accounts receivable at August 31, 1968, is an amount of \$356,930 due from the Bank of Biafra. This amount represents the unpaid balance due on sales totaling \$683,456 and to the date of this report the customer has made all payments required through that date by the terms of the sales contract. We were unable to obtain confirmation of this receivable from the customer. Management believes that no loss will be sustained in the collection of this account; however, pending the outcome of the present political situation in Biafra it is not possible to form an opinion as to the collectibility of this receivable.

In our opinion, except for the effect, if any, of a) such adjustments as might have been disclosed had confirmation been obtained of the receivable referred to in the preceding paragraph, and b) possible losses which may be sustained in the collection of that receivable, the accompanying balance sheet presents fairly the financial position of Bertrand (Irmaos), Limitada as of August 31, 1968, in conformity with generally accepted accounting principles.

*Arthur Andersen & Co.*

Madrid, Spain,

October 11, 1968.



BERTRAND (IRMAOS), LIMITADA

BALANCE SHEET -- AUGUST 31, 1968  
(Currency -- U.S. Dollars - Note 1)

A S S E T S

**CURRENT ASSETS:**

Cash		45,274
Notes and accounts receivable- Trade, net of \$138,405 of unmatured notes discounted at banks	623,357	
Minority partners' subscriptions (Note 5)	55,335	
Other	89,296	
Reserve for doubtful accounts	( 28,000)	739,988
Inventories, at lower of average cost or market- Raw materials and supplies	103,314	
Work in process	131,186	234,500
Prepaid expenses		15,723
Total current assets		1,035,485

**DUE FROM AFFILIATED COMPANY:**

Compania Editorial de Listas, S.A.- Portuguese branch		109,307
--	--	---------

**PLANT AND EQUIPMENT, at cost:**

Land and buildings (Note 3)	268,652	
Machinery and equipment	1,109,499	
Vehicles	22,353	
Office furniture and equipment	191,315	
	1,591,819	
Less- Reserve for depreciation	723,007	
	868,812	
Land and development costs for new factory	354,661	1,223,473

**OTHER ASSETS:**

Deferred expenses	10,193	
Deposits	4,501	14,694
		2,382,959

L I A B I L I T I E S

**CURRENT LIABILITIES:**

Short-term bank borrowing		132,895
Current maturity of long-term mortgage loan		30,800
Notes and accounts payable- Trade	336,822	
Due on land purchases	97,500	
Other	38,535	462,857
Accrued income taxes (Note 2)		198,757
Accrued employee bonuses		69,365
Other accrued liabilities		3,493
Total current liabilities		898,167

**DUE TO AFFILIATED COMPANIES:**

P.L.T. - Publicacoes de Listas Telefonicas, S.A.R.L., net of \$51,520 of capital subscription pending payment (Note 5)	77,850	
Technical Advertising & Sales Engineering Corp.	4,957	82,807

**LONG-TERM DEBT:**

Mortgage loan, less current maturity (Note 3)	189,255	
Notes payable to land and machinery vendors	177,332	366,587

**CONTINGENT LIABILITIES (Note 4)**

**CAPITAL AND SURPLUS:**

Capital (Note 5)	875,000	
Legal reserve	8,206	
Earned surplus	152,192	1,035,398
		2,382,959

The accompanying notes are an integral part of this balance sheet.

BERTRAND (IRMAOS), LIMITADA

NOTES TO BALANCE SHEET

AUGUST 31, 1968

(1) Translation to  
U.S. Dollars

The accounts of the Company are maintained in Portuguese Escudos. For purposes of the accompanying balance sheet, translations to U.S. Dollars have been made at the official exchange rate of Escudos 100 equal U.S. Dollars 3.50. This exchange rate has remained unchanged since the inception of the Company.

(2) Accrued Income Taxes

Pending inspection by the tax authorities, the Company has not paid income taxes for the fiscal years 1964, 1965, 1966 and 1967. The Company has provided taxes in the accounts for these years together with 1968 on the basis of the applicable tax rates and estimated taxable income.

The amount of income taxes that will be finally due cannot be accurately determined since it will depend upon the amounts of non-allowable expenses, if any, that may be disclosed by the tax authorities. In the opinion of management, the actual tax liability of the Company will not materially exceed the amount reflected in the accompanying balance sheet.

(3) Mortgage Loan

In 1965, Bertrand (Irmaos), Limitada borrowed \$308,000 from Caixa Geral de Depositos, Credito e Previdencia. The loan is repayable in equal installments over a ten-year period, bears interest at 5% per annum and is secured by a mortgage on Bertrand's land and factory building.



(4) Contingent Liabilities

Under Portuguese labor laws, personnel dismissed without justifiable cause are entitled to a termination indemnity based upon years of service. Indemnities are not payable in the case of voluntary terminations or death. Bertrand (Irmaos), Limitada has not had a significant number of dismissals heretofore and in the opinion of management none of significance are forthcoming. The Company's maximum contingent liability at August 31, 1968 amounted to approximately \$415,000.

(5) Capital

The capital of the Company amounts to \$875,000 of which \$605,500 has not yet been registered in the Lisbon Commercial Register as required by Portuguese law. Management intends to effect the registration in the near future. The ownership and paid in status of the capital at August 31, 1968, is as follows:

<u>Partner</u>	<u>Quota Registered and Paid</u>	<u>Quota not Registered</u>		<u>Total</u>
		<u>Paid</u>	<u>Unpaid</u>	
Compania Editorial de Listas, S.A.- Portuguese branch	\$180,658	\$125,592	\$306,250	\$612,500
P.L.T. - Publi- cacoes de Listas Telefonicas, S.A.R.L.	175	51,520	51,520	103,215
Technical Adver- tising & Sales Engineering Corp.	175	-	-	175
Other	88,492	15,283	55,335	159,110
	----- \$269,500 =====	----- \$192,395 =====	----- \$413,105 =====	----- \$875,000 =====

DEFENDANT'S TRIAL EXHIBIT B -  
PORTUGAL INCOME AND  
EXPENSE PROJECTIONS -  
JUNE 30, 1969

REPRODUCED HEREIN AT PAGES  
E-46 TO E-50

Gross Revenue

Telephone Co. Share

Operating Revenue

Expenses:

Sales  
Compilation  
Printing  
Distribution  
A & G  
Uncollectibles  
Start-up Costs  
Advisory Fees  
Interest  
Depreciation

Total Expenses

Pre-Tax Income

Tax (36%)

Net Income

Revenue Per Telephone

E-46



PORTUGAL INCOME AND EXPENSE PROJECTIONS

JUNE 30, 1969

<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>
4780	5310	5913	6573	7316	8134	9065	10028
664	754	850	984	1138	1289	1436	1597
4116	4556	5063	5589	6178	6845	7629	8491
761	847	942	1048	1166	1296	1445	1608
415	440	466	494	523	554	583	623
666	732	805	886	974	1072	1179	1297
50	55	61	67	73	81	89	97
325	368	393	433	476	523	575	633
123	137	152	168	185	205	229	255
33	33	34	-	-	-	-	-
239	266	296	329	366	407	453	504
131	143	157	171	188	207	228	251
10	9	8	7	7	6	5	5
2753	3020	3314	3603	3958	4351	4791	5273
1363	1536	1749	1986	2220	2494	2838	3218
518	584	665	755	844	948	1078	1223
845	952	1084	1231	1376	1546	1760	1995
6.91	7.24	7.61	7.99	8.39	8.80	9.25	9.71

*Def. Exp. 00-201 (5 sheets)  
4/25/77  
AP*

PORTUGAL INCOME AND EXPENSE PROJECTIONS

JUNE 30, 1969

	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>
Gross Revenue	4780	5310	5913	6573	7316
Telephone Co. Share	664	754	850	984	1138
Operating Revenue	4116	4556	5063	5589	6178
<u>Expenses</u>					
Sales	761	847	942	1048	1166
Compilation	415	440	466	494	523
Printing	666	732	805	886	974
Distribution	50	55	61	67	73
A & C	325	368	393	433	476
Uncollectibles	123	137	152	168	185
Start-up Costs	33	33	34	-	-
Advisory Fees	239	266	296	329	366
Interest	131	143	157	171	188
Depreciation	10	9	8	7	7
Total Expenses	2753	3020	3314	3603	3958
Pre-Tax Income	1363	1536	1749	1986	2220
Tax (38%)	518	584	665	755	844
Net Income	845	952	1084	1231	1376
Cumulative Net Income	845	1797	2881	4112	5488
Goodwill Amortization (over eight years)	759	804	852	902	956
Revenue per Telephone	6.91	7.24	7.61	7.99	8.39



EXPENSES AS A PERCENT OF SALESJUNE 30, 1969

	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>
GROSS REVENUE	100.0	100.0	100.0	100.0	100.0
TEL. CO. SHARE	13.9	14.2	14.4	15.0	15.6
OPERATING REVENUE	86.1	85.8	85.6	85.0	84.4
EXPENSES:					
Sales	15.9	16.0	15.9	15.9	15.9
Compilation	8.7	8.3	7.9	7.5	7.1
Printing	13.9	13.8	13.6	13.5	13.3
Distribution	1.0	1.0	1.0	1.0	1.0
A & G	6.8	6.7	6.6	6.6	6.5
Uncollectibles	2.6	2.6	2.6	2.6	2.5
Start -up Costs	.7	.6	.6	-	-
Advisory Fees	5.0	5.0	5.0	5.0	5.0
Interest	2.7	2.7	2.7	2.6	2.6
Depreciation	.2	.2	.1	.1	.1
TOTAL EXPENSES	57.6	56.9	56.0	54.8	54.1
PRE - TAX INCOME	28.5	28.9	29.6	30.2	30.3
TAX (37%)	10.8	11.0	11.2	11.5	11.5
NET INCOME	17.7	17.9	18.3	18.7	18.8

BERTPAC

BALANCE SHEET

ASSETS

Current Assets

Cash (Petty Fund)

823

Bank (General Deposit Accounts)

29,686

Notes and Accounts Receivable

Trade

647,789

Partners Subscription

193,805

Other

6,326

Less: Reserve for Bad Debts

(406,810)

Inventories at lower average cost

Raw materials

139,453

Work in Process

143,203

Bank of London & South America-Special Account

Prepaid Expenses

TOTAL CURRENT ASSETS

Land and Equipment at cost

Land and Building

677,329

Machinery and Office Equipment

1,288,778

Vehicle

26,599

Less: Reserve for Depreciation

(691,253)

1,301,438

Development Costs of New Factory

59,505

Initial payments on MAN Rotary Press

Other Assets

Deferred Charges

21,023

Deposits

4,820

2,2



0 (13405) LIMITADA

STATEMENT AS OF MAY 31, 1969

U. S. Dollars)

Exhibit 3

LIABILITIES

<b>Current Liabilities</b>		
Short Term Bank Borrowing		208,960
Current maturity of long term loan (Caixa N. Credito)		30,802
<b>Notes and Accounts Payable</b>		
Trade	309,108	
Due on land purchases	52,503	
Other	24,024	385,634
<b>Accruals</b>		
Accrued Income Taxes-Previous Years		102,666
Accrued Employees Bonuses		36,669
Other Accrued Liabilities		4,760
<b>TOTAL CURRENT LIABILITIES</b>		<b>769,494</b>
<b>Due to Affiliated Companies</b>		
Compania Editorial de Listas	219,377	
Publicacoes de Listas Telefonicas	16,057	235,434
<b>Long Term Debts</b>		
Bank of London and South America	70,005	
Mortgage Loan (Caixa N. Credito)	173,864	
Notes Payable to Land and Machinery Vendors	208,445	452,314
Reserve for Employees Indemnities		28,452
<b>Capital and Surplus</b>		
Capital	875,044	
Reserve	8,207	
Retained Earnings	35,482	
Loss on Previous Year	(15,312)	
Loss on Current Year	(94,519)	
		<b>809,902</b>
		<b>2,294,596</b>

7500, m

600, m

BERTRAND (IRMAOS) LTD.PROFIT & LOSS STATEMENT 1969 - PROJECTED

(U.S. Dollars)

REVENUES

Telephone books	508,045
Others	1,625,819
Sales of scrap	14,597
Miscellaneous income	4,075

TOTAL REVENUES

2,152,536

Less: Discounts allowed

36,768

NET REVENUES

2,115,768

LESS: COST OF SALES BILLED

1,971,114

GROSS OPERATING INCOME

144,654

Less: Commissions on sales  
Financial expenses

42,251

28,238

INCOME FROM OPERATIONS

74,165

Add. Non-operational income

13,021

Less: Non-operational expenses

15,953

INCOME BEFORE PROVISION FOR TAX

71,233

Provision for Income Tax

24,501

NET INCOME

46,732



DEFENDANTS' TRIAL EXHIBIT C -  
LETTER DATED MAY 23, 1969  
FROM ITT WORLD DIRECTORIES,  
INC. TO ARTHUR ANDERSEN & CO.

REPRODUCED HEREIN AT PAGES  
E-52 TO E-56

ITT WORLD DIRECTORIES INC.

280 Park Avenue  
New York, N. Y. 10017  
Tel. (212) 697-1001

K. Woodrow Benckert  
President

May 23, 1969

Mr. Manuel Soto  
Arthur Andersen & Co.  
Arapiles 13  
Madrid 15, Spain

Re: Bertrand (Irmaos) Ltda.  
Audit Request

Dear Mr. Soto:

After discussing this matter with Mr. Brian Peoples, we are writing to you directly for the sake of expediency and urgency.

Attached are both original and translated Balance Sheet and Income Statement for the Huber company in Portugal, Bertrand.

We would ask you to perform, as soon as possible, an audit of the Balance Sheet as of December 31, 1968 and Statement of Income for the year 1968. We had previously requested from Mr. Brian Peoples to make only a Balance Sheet audit of this company. Your audit should also cover as is usual, a review of unusual and non-recurring substantial transactions from December 31, 1968 to the latest date compatible with the urgency of the job. We understand that a regular audit of this company is in process.

In accordance with the Letter of Intent of April 18, copy attached, net worth shall be computed as the difference between total assets (including receivables) less liabilities and intangible assets (start-up costs, franchise costs, goodwill and organization expenses shall be deemed intangible assets), all determined in accordance with generally accepted accounting principles.



In this connection, your audit report will set out separately the intangible assets described therein or any other intangible assets which would be determined as such in accordance with generally accepted accounting principles.

Additionally, you will furnish us a separate statement of the net worth of Bertrand (Irmaos) Ltda. as of December 31, 1968, and as of the closing date all determined in accordance with the above definition.

As we are negotiating the acquisition of this company, contingent and undisclosed liabilities are of primary importance. We include in this category, among others, possible assessment of taxes on years not yet examined by tax authorities, purchase orders placed but not recorded on books, adequacy of legal reserves, notes receivable discounted without recourse, etc.

In reviewing the financial statements of this company, we decided that we would like details on certain balances and accounts. We know that most of the following items will be covered in the course of your audit and therefore it should not be interpreted as a limitation of the auditing standards which Arthur Andersen & Co. would apply to the audit assignment.

#### Balance Sheet

1. Accounts Receivable/Payable Net (\$16,000) - How much is the accounts receivable and how much is the payables creating the net figure mentioned above. With respect to accounts receivable, prepare an aging and identify amounts due from major customers. With respect to the payables, identify major items and date of invoice.
2. Accounts Receivable, \$548,000 - Prepare aging of such amounts and amounts due from major customers. At August 31, 1968, there was a receivable due from the country of Biafra of approximately \$360,000. Is this amount included therein and what are prospects of collectibility?
3. Work in Process, \$86,000 - Prepare an analysis of the jobs.

4. Inventories, \$124,000 - Are these inventories good and are they reasonably priced.
5. Liabilities - Notes Payable \$936,000 - Prepare an analysis of these notes setting forth amounts, due dates, interest rates, etc. Also, was this liability incurred for a specific project?
6. Accrued Taxes - Prepare an analysis of major taxes. Are balances in reserves adequate?
7. Bonus Provision, \$33,000 - How did this liability arise? Is it by Portuguese Law, or is this voluntary on the part of the company?
8. Plant and Property, \$1,488,000 - Are there any intangibles included in this amount?
9. Construction in Process, \$412,000 - Prepare an analysis setting forth the projects which are included in the \$412,000.
10. Stockholders Account, \$41,000 - What is the nature of this amount?

We have been informed that the company had placed an order for a printing press which we estimate the total cost to be in the area of \$600,000. Our experience in other countries indicated that on placing of the order for the press, one third of the total price must be paid to the supplier. We have subsequently been informed that the company cancelled the order for the press. Please check this out and determine what, if any, cancellation penalties must be paid and if the down payment has been made on such press and, if so, where these amounts are reflected in the Balance Sheet.

We would appreciate your telexing us the approximate date you will mail your audit report to us.

Yours very truly,

K. W. Benckert

Encl.

cc. - Mr. Brian Peoples  
Arthur Andersen & Co., NYC (with attachments)

bc. - Messrs. T.B. Westfall  
M.A. Randall  
J.G. Pope  
J.P. Pfann  
V.M. Berger E-54  
J. Otano





RENTAL  
BALANCE SHEET

BALANÇO GERAL EM 31. DE Dezembro..... DE 1960

Detalhe	Mã Corrente		\$000
<b>DISPONÍVEL E REALIZÁVEL</b>		<b>CURRENT ASSETS</b>	
Caixa	31.277.00	Cash	1
Bancos	1.457.858.17	Banks	52
Cheques sacados	17.667.90	Cheques on Hand	1
Devedores e credores	(446.522.60)	Accts. Rec./Payable (Net)	(16)
Letras a receber	777.519.00	Notes Receivable	27
Encomendas terminadas	54.259.10	Finished Books	2
Depósitos de garantia	121.091.10	Deposits Guarantee	4
Clientes	15.649.441.00	Accounts Receivable	548
Clientes de cobrança duvidosa	783.153.90	Doubtful Accounts	27
Provisão para clientes de cobrança duvidosa	(703.153.90)	Reserve Bad Debt	(27)
Encomendas em curso	2.465.919.30	Work in Progress	86
«Stock» de livros	298.155.00	Books in Stock	10
Armazém	3.530.149.59	Inventories - Raw materials	124
Provisão para desvalorização		(ink, paper, etc.)	
Pagamentos antecipados	381.576.00	Prepayments	13
Adiant. Pessoal	50.013.90	Advances	2
Prorp. Moradores	430.711.80	Market Research Cost	15
Sócios c/Acum.Cap.	11.802.000.00	Capital not Subscribed	413
Total (a)	36.662.504.31		1.282
<b>PASSIVO EXIGÍVEL</b>		<b>Liabilities</b>	
Financiamentos a curto prazo			
Proporção de financiamentos a longo prazo			
Fornecedores	1.706.400.90	Supplies	62
Menos: a longo prazo			
Letras a pagar	26.731.376.60	Notes Payable	936
Menos: a longo prazo	(5.447.542.90)	Less (Long Term Notes)	(191)
Imposto de transação	97.074.30	Misc. Tax	3
Encargos a liquidar	470.959.10	Misc. Payables	16
Provisão para impostos		Accrued Taxes	
Ano corrente	2.450.000.00	Current Year	86
Anos anteriores	2.933.237.60	Previous Years	101
Prov. Benef.	950.000.00	Years Provisions	33
Prov. C. Associações	136.000.00	Provisions for Assoc. Comp.	5
Total (b)	24.022.544.60		1.051
Capital de giro (a-b)	6.639.959.71	Working Capital	231

## GANHOS E PERDAS

As of December 31, 1963  
Mês de ..... de 1964

VENSAI		DETALHE		ACUMULADO			
Por cento	%			%	(\$000)	%	Ano anterior
		Sales	a Trabalhos Gráficos	67.225.596.90	2.353		
			b Menos: Desc. Ind. e Multas				
			c				
		Direct Cost	d Custo Directo de Produção	47.448.402.00	1.661		
		Gross Profit	e Lucro Bruto	19.777.114.92	692		
		A & G Expenses	f Despesas de Administração	7.372.263.72	258		
		Inventories	g " " Armazém	945.006.10	33		
		Sales	h " " Venda	1.172.739.60	41		
		Packing & Shipping	i " " Expedição	331.077.00	12		
			j	9.021.007.72	344		
		Technical Assistance	As. Técnica	646.000.00	30		
		Financial	k Encargos Financeiros	1.043.025.50	37		
		Charges	m Resultados Diversos	(342.699.06)	(12)		
		Misc. Income	n Lucro líquido da exploração	0.409.700.51	293		
		Net Oper.	o Receltas/Despesas de anos anteriores	31.925.10	(1)		
		Income	p Reserva Déb. Div.	303.150.90	13		
		Expenses	q Provisão para Impostos	2.450.000.00	86		
		Previous Year	r Outras provisões/reservas	950.000.00	33		
		Prov. for	s Provisões Diversas	136.000.00	5		
		Doubtful Accts.	t				
		Taxes					
		Other Reserves					
		Misc. Provisions					
			Lucro disponível	4.522.466.71	157		



1969

DEFENDANTS' TRIAL EXHIBIT D -  
TELEX DATED AUGUST 5, 1969  
FROM J.A. HUGHES TO M. SOTO  
AND J. JERRAM

ITT55

o

B420000 ART UI8312749+

2045

27494 AAMAD E

B420000 ART UI

8-5-69

3:46PM

TO MR M SOTO / J JERRAM

FROM J A HUGHES

RE: PLT AND BERTRAND

BEFORE I DISCUSS YOUR TELEX WITH BENKERT, I NEED TO CLARIFY ONE  
POINT ON NET WORTH CERTIFICATION. IF NET WORTH IS POSITIVE, YOUR  
TELEX ON AUGUST 15 WOULD SEEM ACCEPTABLE AND ITT COULD THEN RELEASE  
FUNDS. BUT AFTER THE DATE, IF IT IS NEGATIVE, THEN UNDER THE  
AGREEMENT, ONLY WE CAN STOP RELEASE OF ESCROW FUNDS BY  
PRESENTING A CERTIFICATE. YOUR PROPOSAL DOES NOT EXPLAIN HOW WE  
WILL COVER THIS CONTINGENCY. SEE PAGE 4 OF AGREEMENT WHICH PROVIDES  
THAT FUNDS ARE RELEASED AFTER 40 DAYS UNLESS ETC.

END LH

o

27494 AAMAD E

B420000 ART UI

GMT 19.45-003

DEFENDANTS' TRIAL EXHIBIT E -  
TELEX FROM J. JERRAM TO  
J. A. HUGHES

TO: J. A. HUGHES  
FROM: J. JERRAM  
SUBJECT: PLT AND BERTRAND

AGREE WITH YOUR TELEX OF AUGUST 5. SITUATION AS WE DESCRIBED  
IT IS ONLY APPLICABLE IF, AS EXPECTED, COMBINED NET WORTH IS  
POSITIVE. IF NET WORTH IS NEGATIVE WE SHALL ISSUE CERTIFICATE  
AS REQUIRED BY AGREEMENT .

WE HAVE JUST RECEIVED VIA STANDARD ELECTRICA LISBON DETAILS OF  
TELEX SENT AUGUST 4 BY BERGER, GENERAL COUNSEL OF ITTWD EXPRESSING  
ANXIETY OVER POSSIBLE DEADLINE PROBLEM DISCUSSED IN OUR TELEX  
TO YOU OF AUGUST 5. BERGER APPEARED NOT TO KNOW THAT WE HAD  
POSTPONED OUR EXPECTED REPORT DATE TO AUGUST 15, AS TELEXED TO  
YOU ON JULY 21, AND YOU MAY WISH TO CLARIFY THIS WITH ITTWD.  
END OF MSG"?+

ARTHANDER NYK

27494 AAMAD E



DEFENDANTS' TRIAL EXHIBIT F -  
TELEX DATED AUGUST 5, 1969  
FROM M. SOTO AND J. JERRAM  
TO BRIAN PEOPLES OR J.A. HUGHES

REPRODUCED HEREIN AT PAGES

E-60 TO E-61

ARTHANDER NYK

27404 AAMAD E

27494 AAMAD E

8-5-69

TO: BRIAN PEOPLES OR J. A. HUGHES

FROM: M. SOTO AND J. JERRAM

RE: PLT AND BERTRAND AUDITS MAY 31, 1968.

WE ARE QUITE CLOSE TO COMPLETING WORK ON MAY 31, 1969, STATEMENTS, AND WOULD LIKE YOU TO CLEAR OUR REPORTING REQUIREMENTS AGAIN WITH WOODFALL OR BENCKERT OF ITT.

OUR PRESENT INSTRUCTIONS REQUIRE US TO REPORT ON BALANCE SHEET OF PLT AND BERTRAND AT MAY 31, 1969, AND INCOME STATEMENT OF BERTRAND ONLY FOR 9 MONTHS THEN ENDED. BENCKERT'S ORIGINAL LETTER OF INSTRUCTION ALSO ASKED FOR A SUBSTANTIAL AMOUNT OF DETAIL ON SPECIFIC ACCOUNTS AS OF DECEMBER 31, 1968. WE HAVE BEEN PRESUMING THAT HE REQUIRED THE SAME DETAIL AS OF MAY 31, 1969. WE HAVE ALSO BEEN ASKED INFORMALLY TO SUPPLY THE FOLLOWING INFORMATION:

1. DETAILS OF CAPITAL GAINS AND TRANSFER TAXES THAT WOULD BECOME PAYABLE ON DISPOSAL BY BERTRAND OF DAFUNDO PLANT FOR U.S.DOLS. 600,000.
2. WHETHER COMBINED NET WORTH OF THE TWO COMPANIES AT MAY 31, 1969, IS POSITIVE. THIS INFORMATION IS REQUIRED BY AUGUST 15 FOR ESCROW PURPOSES.



RECORDS OF BOTH COMPANIES SINCE JULY 9, IT MAY BE THAT THESE INSTRUCTIONS SHOULD BE REVIEWED BECAUSE SOME OF THE INFORMATION USED ABOVE MAY HAVE BEEN OBTAINED BY ITTWD REPRESENTATIVES.

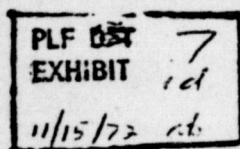
WE SUGGEST THAT OUR REPORTING SHOULD BE AS FOLLOWS:

- 1.- BY AUGUST 15, WE SHALL INFORM YOU BY TELEX WHETHER COMBINED NET WORTH IS POSITIVE AND YOU CAN PASS THIS INFORMATION ON TO ITTWD. THE ESCROW AGREEMENT PROVIDES THAT ITTWD MAY RELEASE THE ESCROW WITHOUT A CERTIFICATE FROM US, AND THEY MAY CONSIDER THIS ACCEPTABLE. WE SHALL HAVE DIFFICULTY WITH THIS TIMING ONLY IF WE DO NOT RECEIVE AGREED CONFIRMATIONS FROM TELEPHONE COMPANIES ON PLT RECEIVABLES. ITTWD IS AWARE OF THIS PROBLEM AS BERGER HAS BEEN INFORMED BY ITTWD PEOPLE IN LISBON OF DELAY IN PREPARING CONFIRMATION REQUESTS. UNFORTUNATELY WE WERE NOT AWARE OF THE TERMS OF THE ESCROW AGREEMENT UNTIL JULY 30. WE SHALL MAKE EVERY EFFORT TO MEET TIMING, BUT WE DO NOT WANT TO CLEAR BEFORE OBTAINING THESE CONFIRMATIONS AS TELEPHONE COMPANY RECEIVABLES REPRESENT MAIN ASSET.
- 2.- AS SOON AS POSSIBLE THEREAFTER, WE SHALL ISSUE CERTIFICATES ON BALANCE SHEETS OF BOTH COMPANIES AS REQUIRED BY PURCHASE AGREEMENT. WE MAY HAVE 'SUBJECT TO' ON REALISATION OF APPROXIMATELY ESC. 1 MILLION OF EXCESS INVENTORIES IN BERTRAND.
- 3.- WE SHALL CERTIFY AMOUNT OF CAPITAL GAINS TAXES AND TRANSFER TAXES THAT WOULD BE PAYABLE ON DISPOSAL OF BERTRAND PLANT FOR U.S. DOLS. 600,000.

OBSVIOUSLY WE ARE NOT TRYING TO AVOID THE OTHER DATA REQUESTED RATHER WZ WANT TO ENSURE THAT OUR REPORTING IN RESPONSIVE TO ITTWD'S ACTUAL REQUIREMENTS.

DEFENDANTS' TRIAL EXHIBIT G -  
LETTER DATED AUGUST 18, 1969  
FROM ARTHUR ANDERSEN & CO.  
TO ITT WORLD DIRECTORIES INC.

ARTHUR ANDERSEN & Co.



1345 AVENUE OF THE AMERICAS

NEW YORK, N.Y. 10019

August 18, 1969

To The Board of Directors,

ITT World Directories, Inc.:

We have examined the combined balance sheet of P.L.T. - Publicacoes De Listas Telefonicas S.A.R.L. (PLT) and Bertrand (IRMAOS) LTDA. (BERTRAND) as of May 31, 1969. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances, except that we have not received written representations as to fair presentation of the above combined balance sheet from the former management of the companies.

Our examination was made to enable us to express the opinion required by Paragraph 3.6 of the Agreement dated as of July 9, 1969, between ITT World Directories Inc. (ITT WD), TASEC - Technical Advertising & Sales Engineering Corporation (TASEC), and CIA. Editorial De Listas, S.A. (CELSA) and Paragraph 5 (c) of the related Escrow Agreement among ITT WD, CELSA, and Morgan Guaranty Trust Company of New York (The Escrow Agent).



DEFENDANTS' TRIAL EXHIBIT G -  
LETTER DATED AUGUST 18, 1969  
FROM ARTHUR ANDERSEN & CO.  
TO ITT WORLD DIRECTORIES INC.

ARTHUR ANDERSEN & CO.

- 2 -

In our opinion, except for the effect, if any, of matters that might have been disclosed had the written representation referred to above been received by us, the combined tangible net worth, as defined, of PLT (after giving effect to the transfer to PLT of the assets and the assumption by PLT of the liabilities of the Portuguese branch of CELSA), after elimination of its interest in Bertrand, and Bertrand as of May 31, 1969 is a deficit of approximately \$U.S. 125,000.

This letter is furnished solely for the information of ITT WD, TASEC and The Escrow Agent and is not to be used for any other purpose.

*Arthur Andersen & Co.*

COPY RECEIVED

DEC 21 1974

BROWN, WOOD, FULLER,  
CALDWELL & IVEY

Attorneys for

*Defendants-Appellees*  
*By Gary J. Newbold*



